

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Portage	County Kalamazoo
Audit Date 6/30/04	Opinion Date 11/1/04	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

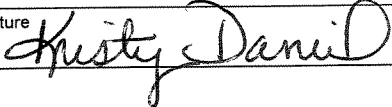
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BDO Seidman, LLP			
Street Address 211 E. Water Street, Suite 300	City Kalamazoo	State MI	ZIP 49007
Accountant Signature 		Date 12/2/04	



CITY OF
PORTAGE

A PLACE FOR
OPPORTUNITIES
TO GROW

Comprehensive Annual Financial Report

of the City of Portage, Michigan

June 30, 2004

City of Portage, Michigan
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2004

Prepared by:

Finance Department

CITY OF PORTAGE, MICHIGAN
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004

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December 21, 2004

To the Honorable Mayor, members of the City Council, City Manager, and the Citizens of the City of Portage:

The comprehensive annual financial report of the City of Portage for the fiscal year ended June 30, 2004 has been completed. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the city. To the best of our knowledge and belief the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the city. All disclosures necessary to enable the reader to gain an understanding of the financial activities of the city have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the city organizational chart and a list of principal officials. The financial section includes the management's discussion and analysis, the financial statements and the combining and individual fund financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all funds and account groups of the city. The city provides a full range of municipal services. These services include police and fire protection; water and wastewater services; the construction and maintenance of highways, streets, and other infrastructure; recreation activities and cultural events. In addition to the general activities of the city, the Building Authority, the Downtown Development Authority, and the Local Finance Development Authority are blended into the reporting entity. This report also presents the Economic Development Corporation as a discrete component unit.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City of Portage's MD&A can be found immediately following the report of the independent auditors.

LOCATION AND CHARACTER

The City of Portage, which is situated in the southwest part of the State of Michigan, and located halfway between Chicago and Detroit, covers an area of 35.2125 square miles. Almost 31 percent of the area within the city is used for residential purposes, with most of this developed property devoted to single family dwellings. Based upon the volume of building permits issued, the city has the fastest growing residential sector in Kalamazoo County, Michigan.

ECONOMIC CONDITION AND OUTLOOK

The City of Portage is the unit of government in Kalamazoo County with the largest Assessed Value (regular tax roll). The state equalized value of real and personal property including tax abatements has increased from \$348,055,600 in 1980, to \$799,757,900 in 1990, to \$1,909,210,800 for the fiscal year ended June 30, 2004. The taxable value for the year beginning July 1, 2004 increased approximately 5.5 percent over the prior year. The City of Portage unemployment rate for September 2004 was 3.3 percent, while the September unemployment rate for Kalamazoo County as a whole was 5.1 percent.

Portage has a well-balanced and diversified economy. Residential uses accounts for 54 percent of the property value, industrial 22 percent and commercial 24 percent. Employment is also well balanced which is characterized by a high degree of manufacturing (21.3 percent of total employment), wholesale and retail trade (16.7 percent), and service activity (40.1 percent). Based on the 2002 census, the number of employed Portage residents was 23,566, yet 35,192 jobs existed within Portage, making Portage a net importer of jobs for residents from Kalamazoo County and beyond. By the year 2025, the number of jobs offered in the City of Portage is expected to increase to 37,928 (2002 Portage Comprehensive Plan).

The Pfizer Corporation has manufacturing, packaging and office facilities located in the City of Portage. Pfizer employs 6,000 persons in Kalamazoo County (of which 4,000 are in Portage) and about 120,000 worldwide. In addition to the development of a fine chemical processing facility at a cost of \$65,000,000 in 1992, a program of \$250,000,000 in improvements to the main manufacturing plant (Building #41) in Portage continues with \$157 million spent to date on this renovation since the program was announced in 1992.

Stryker Corporation is constructing a 433,000 square-foot medical-products manufacturing facility in the City of Portage with scheduled completion in 2005. This new facility, being constructed at the corner of Sprinkle Road and East Centre Avenue, will be the Stryker Medical Division manufacturing facility. The current medical-products activities, located at 420 Alcott Street in Kalamazoo will be relocated to the new facility. Announced in December 2003, the manufacturing facility has an estimated value of \$33 million and will result in the retention of 80 existing jobs at the company and the addition of approximately 65 new jobs upon completion according to Stryker Corporation representatives. The Stryker Medical division focuses on the production of hospital and emergency service beds and stretchers.

In October 2004, the City of Portage Planning Commission approved the site plan for an estimated \$30 million dollar expansion at the Stryker Instruments facility located at 4100 East Milham Avenue. The new approximate 200,000 square foot manufacturing facility at the southeast corner of East Milham Avenue and South Sprinkle Road will build upon the success of the surgical instruments division. The Stryker Instruments division is the company's primary location for the production of replacement hips and joints, along with orthopedic surgical instruments such as medical drills, saws and micro-powered tools. These facilities located in Portage are part of a total facilities expansion and renovation project with a total estimated investment of \$62 million and an estimated total of 225 new jobs and 1,600 jobs retained according to communication from Stryker.

The continued diversification and growth of the local economy and tax base is viewed as essential to the community. In an effort to ensure a healthy economy, the City of Portage announced and implemented four major initiatives during the past ten years. These four initiatives are listed below:

1. **1996 Industrial Development Initiative:** an investment of nearly \$2 million in public infrastructure improvements to open up more than 100 acres of land for full-service industrial sites within industrial park settings. Several industrial facilities including Federal Express, Summit Polymers, Business Cards Plus, Avtech Laboratories, Idea, Inc., Kalamazoo Machine Tool, Quality Air Service, among others have constructed new facilities as a direct result of this city initiative. Private investment totals \$25.8 million to date.
2. **1998 Community Investment Initiative:** the combined investment of almost \$7 million from local, state and federal sources in important infrastructure projects within the first city Downtown Development Authority (DDA) district, development of the 50 acre Milham Business/Technology Park and the reconstruction of Shaver Road as a boulevard. Businesses including Gander Mountain, Meijer, Inc., Bennigan's Restaurant, Lowe's Home Improvement Center and Hooters Restaurant have also constructed new facilities as a result of the Community Investment Initiative. Businesses have invested approximately \$73.4 million to date.
3. **1999 Commerce Square Enhancement Initiative:** focused on enhancements to the South Westnedge Avenue commercial corridor including roadway improvements to South Westnedge Avenue, Mall Drive and Romence Road/Romence Road Parkway. These major roadway improvement projects will ensure the continued success of the central business area by providing safe and convenient access for patrons and employees. The Commerce Square Enhancement Initiative stimulated redevelopment of the northwest corner of South Westnedge Avenue and West Milham Avenue. Several aging and vacant buildings previously occupied this area, one of the busiest intersections in Kalamazoo County. These aging and vacant buildings have been razed and replaced with new facilities for Bed Bath and Beyond, Panera Bread and Consumers Credit Union. Babies'R'Us, a 25,000 square foot retail facility, opened in November 2003 at this location. The Commerce Square Enhancement Initiative also included a major project to improve water quality associated with local wetlands and Consolidated Drain No. 1 and, at the same time, reclaim land for development that was previously used for storm water retention. The total level of public investment amounted to more than \$9 million. The Shoppes at Romence Village, an approximate 150,000 square foot retail center anchored by D&W Food Center and Stein Mart has been constructed, with additional retailers Mr. Cody's Buffet, Great Clips, Renaissance Home & Garden, Candies Workout Express and Heritage Tanning completed in subsequent phases of this development project. To date, approximately \$45.5 million in private investment has occurred.
4. **The South Westnedge Avenue Enhancement Project:** a major corridor improvement program from Milham Avenue to Kilgore Road. The project is being initiated in 2004/2005 to coordinate with and facilitate the improvement of the I-94/South Westnedge Avenue interchange and associated widening of South Westnedge Avenue from Dawnlee Avenue to Trade Center Way by the Michigan Department of Transportation. The project includes street widening, new street construction and property acquisition.

South Westnedge Avenue is the most important north-south major street in Kalamazoo County and provides access to the major shopping areas in the city. Considerable new development and redevelopment is occurring on the South Westnedge Avenue corridor especially between Kilgore Road and Milham Avenue. The planned MDOT improvement to the I-94/South Westnedge Avenue interchange and related freeway improvements will necessitate associated widening from Kilgore Road to Milham Avenue.

The success of these economic development initiatives is significant. Sixty-one businesses and industries have either expanded existing facilities in Portage, have been retained within Portage or have established new facilities within the community. In total to date, the level of investment is approaching \$144.7 million in estimated market value, with an estimated 3,208 added jobs. Although the City of Portage allocated significant local resources to ensure the success of these important economic development initiatives, the return on investment is significant.

The initial economic impacts associated with the private sector projects are very good news for the community in terms of diversifying the tax base and adding job opportunities for area residents. It is also important to underscore that these initiatives were accomplished without a tax increase and with a combination of local tax resources, private sector participation as well as state and federal funds.

The continued expansion of existing industrial facilities within the Sprinkle Road Industrial Corridor has also been significant. Major building renovations and/or additions are currently underway or have been announced by the Stryker Corporation, among others. The continued investment in the improvement of existing industrial facilities further indicates a healthy and growing economy.

Portage is also a major retail center for Southwest Michigan. General Growth Properties of Skokie, Illinois, owner of Crossroads Mall, has completed a \$20 million building addition and renovation project for the mall. The Crossroads Mall, a regional shopping center of more than 800,000 square feet, has approximately 100 tenants including Marshall-Fields Company, J.C. Penney & Company, Sears Roebuck & Company, and Mervyn's Department Store. Southland Mall is another major retail mall in the city. The nearly 300,000 square foot retail center includes Old Navy Apparel, Circuit City, Kohl's Department Store, Barnes & Noble Book Store, J.C. Penney Home Store and T.J. Maxx, among other stores. Several additional major retailers are located within Portage including: Meijer, Inc., Home Depot, Lowe's, Target, Best Buy, K-Mart Corporation, and Menards Home Improvement Center. Two other retail shopping centers, the Portage Crossings and the Carillon Center, have a combined building area of 308,000 square feet. Additionally, Sam's Club, a wholesale club, is also located within the city. The estimated employment of Portage retail trade establishments in 2002 was 9,500. The total retail area in the main South Westnedge commercial corridor is approximately 3.8 million square feet with a 96 percent occupancy rate as of November 2004.

Other projects which have had a positive impact on the local economy include the extension of the Romence Parkway to Portage Road in 2000, the creation of a Brownfield Redevelopment Authority in 2001 and several quality of life enhancements. The extension of Romence Parkway to Portage Road had a major impact on traffic flow in the community by providing an essential east-west link in the major thoroughfare system with improved access to the commercial corridor and to industrial centers in the community. East Milham Avenue from Oakland Drive to Lover's Lane, and Centre Avenue from Portage Road to Sprinkle Road have been widened. These improvements afford numerous economic development benefits, and provide improved roadway access and city utilities to Pfizer, Inc.

The creation of a Brownfield Redevelopment Authority in 2001 has provided an important economic incentive for the environmental clean-up and redevelopment of the former Portage Steel site located on West Centre Avenue. Redevelopment of this property, which was abandoned for several years, with an approximate \$10 million retail and office complex is a significant benefit to the city and to the other taxing jurisdictions. This ongoing redevelopment project provides an expanded tax base and additional job opportunities (estimated to be 200-250) for area residents and is a significant economic development initiative within the area.

Several quality of life enhancement projects for area residents were also undertaken during the recent past. Community park enhancements recently included second phase completion of Harbors West Park with the addition of trails, in-line hockey facilities and playfield areas and the completion of the Bicentennial Park Trailhead at Kilgore Road with a creative fountain, landscaping, restrooms and pavilion. All park tennis and basketball courts were also resurfaced in 2003. The Lovers Lane Bikeway between Romence Road Parkway and Milham Avenue Boulevard was recently completed and provides a critical non-motorized trail link to other community trails. New bikeways were also incorporated into the East Milham Avenue and East Centre Avenue reconstruction projects. The Ice Rink at Millennium Park continues to be a major community recreational feature. This “state of the art” skating rink is the original outdoor-refrigerated ice surface in southwest Michigan.

There are several area and regional commercial bank branches and thrift institutions within the city, which serve the banking needs of the community and its residents. These include: Comerica, Bank One, National City, Fifth Third Bank, Flagstar Bank, Standard Federal, Huntington Bank, Portage Commerce Bank (headquartered in Portage), Keystone Community Bank and Chemical Bank - Shoreline.

Transportation needs are served by United, American, Northwest, Delta and U.S. Airways airlines through the Kalamazoo-Battle Creek International Airport; several bus services; and railroads. Two major highways, Interstate 94 and U.S. 131 intersect within the City of Portage, providing a major “crossroads” which continues to promote growth and development. The Michigan Department of Transportation has initiated the design stage to widen I-94 through the City of Portage. Completion of this important highway improvement project is expected in 2015-17. The City of Portage is 152 miles from Detroit on I-94, 148 miles from Chicago on I-94, and 245 miles from Indianapolis via I-94 and I-69, and so has access to 65 percent of the market population of the U.S. within 500 miles.

MAJOR INITIATIVES

For the Year.

The 2003/2004 budget emphasizes the areas of Transportation, Community Development, and Quality of the Environment.

- Transportation - Oakland Drive, Milham to Romence was widened to a three lane boulevard section with raised medians and protected left turn lanes. The project included new asphalt pavement, storm drainage, street lighting and landscaping. The Downtown Development Authority Street extension included acquisition of right-of-way and construction of a 2,200 foot long and thirty-six foot wide cul-de-sac intersection at DeHann and West Fork Crossing with necessary street appurtenances, fixtures and planned storm water facilities.

- Quality of Life Initiatives - Courts were resurfaced at Westfield and Oakland Drive Parks, along with parking lot and walkway improvements. Major improvements were made to the Ramona Park beach and waterfront area, and construction continued on a two-mile bikeway trail addition in the northwest portion of the community. Several park restrooms and shelters were renovated during the spring of 2004 and new park facilities at South Westnedge Park were developed during the year.
- Quality of the Environment – The city initiated the Portage Creek Stormwater Treatment/Enhancement Project (STEP) as part of the city National Pollution Discharge Elimination System (NPDES) permit for municipal storm sewers. The city is committed to address the various direct stormwater discharges to Portage Creek. Direct discharges from South Westnedge Avenue storm sewers located north of the Shaver Road/South Westnedge Avenue intersection are a major source of pollution of Portage Creek. Elimination of these direct discharges, through land acquisition and creation of stormwater treatment ponds both east and west of South Westnedge Avenue, creation of additional wetland areas, enhanced groundwater recharge and aquifer protection are all major features of this project. Also, sewer line additions on Schuring Road, Timbercreek Lane to Quail Street and and South Shore Drive, Sandy Lane to Portage Road were accomplished.

For the Future.

- Transportation - Oakland Drive from Romence Road to West Centre Avenue expansion and rebuilding will improve the safety and traffic flow on Oakland Drive by adding an optional center left turn lane. Additional laneage is to be provided at the Romence Road and West Centre Avenue intersections to facilitate traffic movements. This project will include new curbs and gutters, new asphalt pavement, bike lanes, storm drainage and landscaping/restoration. Shaver Road/West Centre Avenue intersection will be improved by widening eastbound Centre Avenue and southbound Shaver Road by adding separate right turn lanes to accommodate right turn movements. Pavement widening and new curbs and gutters will be installed. This project includes property acquisition, traffic signal modifications, storm sewer adjustments and pavement markings.
- Quality of Life Initiatives - Bicentennial Park Livery improvements include the purchase of canoes, kayaks, tubing rafts, bicycle surrey and related equipment, and a vehicle and trailer for expansion of services at the city livery facility. Access drive to Celery Flats Livery on Garden Lane is to be improved. Playground improvements by painting all play structures, renovating perimeters, surfacing and adding play equipment as required at Bicentennial, Oakland Drive, West Lake Nature Preserve, Lakeview and Central Parks. Property purchased at 8751 Waruf Drive for inclusion into Ramona Park.
- Quality of the Environment – Sewer line additions on Ramona Avenue from Lovers Lane to Portage Road, and Charles Street from Portage Road to the east road end. Expand existing stormwater retention basin in southeast quadrant of the intersection of Oakland Drive and West Milham Avenue (behind Fire Station #2). Continuing program to disconnect or improve direct stormwater discharges to the Portage Creek, Davis Creek, and Gourdneck Creek watershed.

FINANCIAL INFORMATION

The City Administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the city are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, though not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. The city maintains budgetary controls through its financial management information system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the governing body of the city. Activities of the General Fund, Special Revenue Funds, and Debt Service Funds are included in the annually appropriated budget. Project-length financial plans are adopted for the Capital Improvement Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity or project within the individual funds. The city also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

As demonstrated by the statements and schedules included in the financial section of this report, the city continues to meet its responsibility for sound financial management.

Please see the section titled Management's Discussion and Analysis which follows the auditor's opinion for additional information relating to fiscal year 2003/2004.

Tax collections were 99.8 percent of the tax levy. The County of Kalamazoo has established a Delinquent Tax Revolving Fund and pays the city for all real property taxes returned as delinquent to the County Treasurer as of March 1 of each year. Allocation of property tax by purpose for fiscal 2003/2004 and for the proceeding five fiscal years are as follows (amounts per \$1,000 taxable value):

<u>PURPOSE</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General Fund	7.3592	7.4672	7.1480	7.0849	7.1469	7.1559
Capital Improvements	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Debt Service	0.0000	0.1575	0.1920	0.1931	0.1931	0.2011
Fall Leaf/Spring Cleanup	0.4000	0.3870	0.2870	0.2870	0.4000	0.4000
Curbside Recycling	<u>0.3850</u>	<u>0.2900</u>	<u>0.3730</u>	<u>0.4350</u>	<u>0.3600</u>	<u>0.4200</u>
	<u>10.1442</u>	<u>10.3017</u>	<u>10.0000</u>	<u>10.0000</u>	<u>10.1000</u>	<u>10.1770</u>

General Fund Balance. The total fund balance of the General Fund increased by \$412,568 in 2003/2004. In 1985 City Council established an intent that the General Fund fund balance be at least 13 percent of General Fund expenditures including transfers. The General Fund fund balance at June 30, 2004 was \$3,729,401 or 17.8 percent of actual 2003/2004 expenditures including transfers.

Debt Administration. The ratio of net general obligation debt to State Equalized Value and the amount of bonded debt per capita are useful indicators of the city debt position to municipal management, citizens and investors. These data for fiscal year 2003/2004 and previous fiscal years are as follows:

<u>June 30.</u>	<u>Net General Obligation Bonded Debt</u>	<u>Ratio of Net Bonded Debt to State Equalized Value (50% of Market Value)</u>	<u>Net Bonded Debt Per Capita*</u>
2004	\$60,903,717	3.12%	\$1,316*
2003	50,011,743	2.66	1,095*
2002	43,060,269	2.33	939*
2001	34,456,844	2.00	761*
2000	26,715,165	1.68	595
1999	20,049,675	1.29	452
1998	20,170,550	1.48	457

* based on estimated population

In addition to general obligation bonded debt, the city has special assessment bonds with city commitment outstanding at June 30, 2004.

Tax supported debt continues to remain relatively stable as a percentage of the State Equalized Value of property in the city at 3.12 percent and is well under the 10 percent of state equalized value which is a benchmark used by credit rating agencies. The city debt load is manageable and will not adversely impact future operations.

During the fiscal year ended June 30, 2004, the city issued the following bonds:

<u>Description</u>	<u>Date</u>	<u>Amount</u>	<u>Effective Interest Rate</u>
Special Assessment Bonds Downtown Development Authority Bonds	01/01/2004	875,000	3.06%
Local Development Finance Authority Bonds	12/01/2003	2,765,000	4.66%
City Share Bonds	05/01/2004	3,150,000	6.35%
Utility Revenue Bonds	01/01/2004	875,000	3.06%
Capital Improvement (LTGO) Bonds	06/01/2004	2,460,000	4.52%
		5,780,000	4.07%

The city's general obligation bond rating was raised to AA by Standard & Poor's effective November 20, 2003. This solid rating has the effect of reducing borrowing costs, and is another indicator of the financial viability of the city and community.

Enterprise Operations. The city enterprise operations are comprised of the Water and Sewer Funds. At June 30, 2004, the Sewer and Water Funds had net asset value balances of \$48,879,128 and \$19,412,131 respectively. Utility financial soundness is exemplified by a cash balance of \$2,870,872 at June 30, 2004. Annual rate reviews ensure continued financial soundness of the utility system.

Cash Management. Cash on hand is invested in obligations of the U.S. Government and its agencies, commercial paper, bankers' acceptances, certificates of deposit from banks and pooled cash and investment money market funds as permitted by State law and city policy. The average

pooled cash and investment money market funds as permitted by State law and city policy. The average yield on investments for the year ended June 30, 2004, excluding the Pension Trust Fund, was 1.67 percent (compared to an average of 1.72 percent for the 2002/2003 fiscal year). Interest rates ranged between a monthly high of 1.92 percent in April 2004 to a low of 1.40 percent in September 2003. Investment income, excluding the Pension Trust Fund, was \$495,691.80 for the year. Investment income was \$119,274 lower than the previous fiscal year due to continuing low interest rates and bond market rates.

Risk Management. As of June 30, 2004, the city participates in a public entity risk pool, the Michigan Municipal Risk Management Authority pool, for insurance coverage for liability, auto, crime and property damage risks.

OTHER INFORMATION

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of BDO Seidman was selected by the city. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

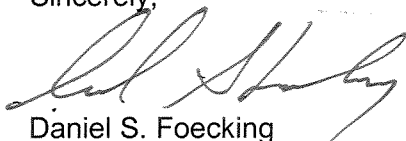
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the city for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the eighteenth consecutive year that the city has received this award. The Certificate of Achievement recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City of Portage published an easily readable and organized comprehensive annual financial report that conforms to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. It is believed that the current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements, and will be submitted to the GFOA to determine eligibility for another certificate.

In addition, the city also received the GFOA Award for Distinguished Budget Presentation for the annual budget for the fiscal year 2004/2005. In order to qualify for the Distinguished Budget Presentation Award, the city budget document was judged to be proficient as a policy document, a financial plan, an operations guide and a communication device. This was the eighteenth consecutive year the City of Portage received this award.

Acknowledgments. This comprehensive annual financial report indicates the excellent financial condition of the City of Portage at June 30, 2004. The preparation of this report could not have been accomplished without the dedicated services of the Finance Department staff. Credit also goes to the Portage City Council for interest and support in planning and conducting the operations of the government in a responsible and progressive manner.

Sincerely,



Daniel S. Foecking
Finance Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Portage for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the eighteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Portage,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



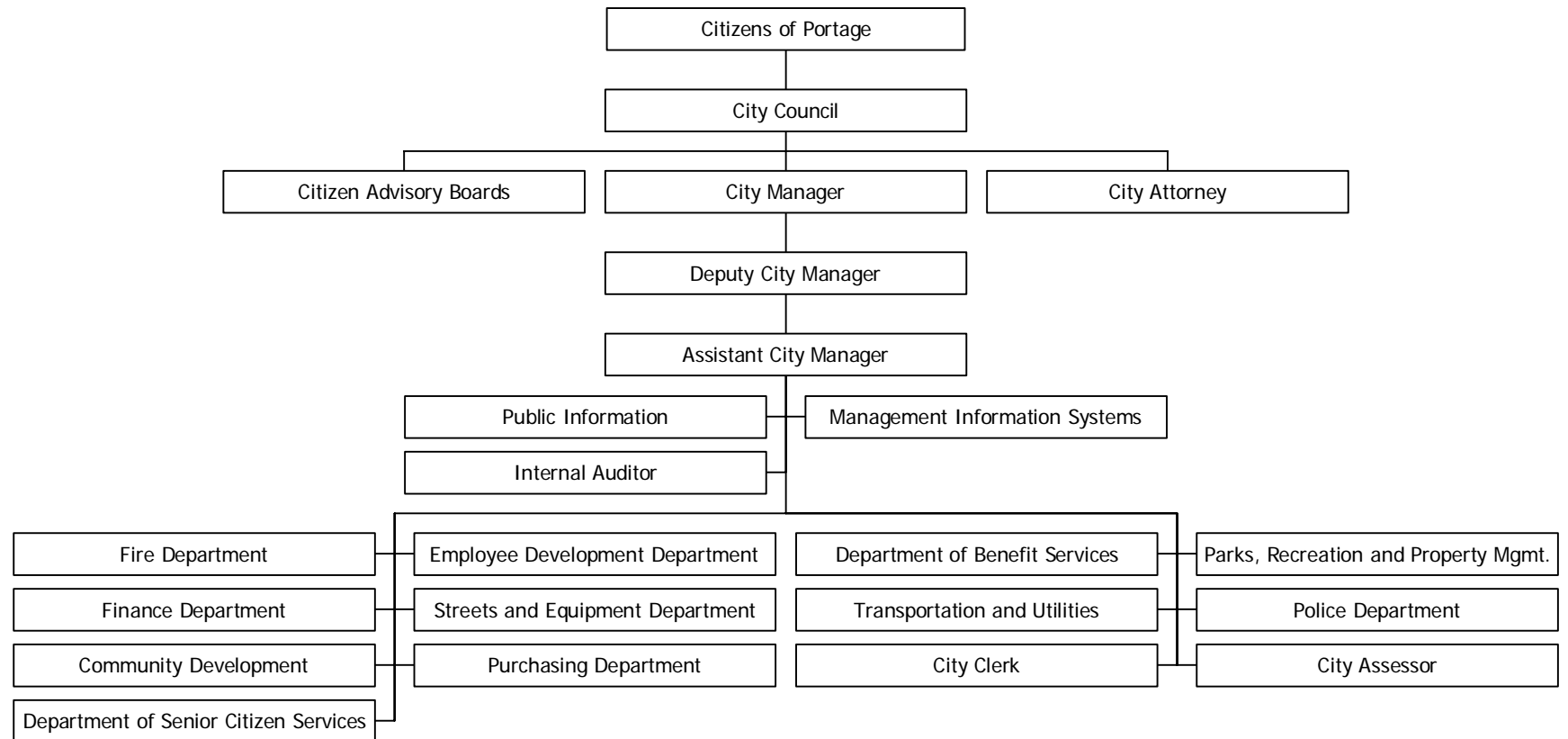
President

Executive Director

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



City of Portage Organizational Chart



CITY OF PORTAGE, MICHIGAN
List of Elected and Appointed Officials
June 30, 2004

Elected Officials

Mayor	James Graham
Mayor Pro Tempore	Ted W. Vliek, Sr.
Council Member	Larry DeShazor
Council Member	Betty Lee Ongley
Council Member	Peter J. Strazdas
Council Member	Margaret E. O'Brien
Council Member	Terry R. Urban

Appointed Officials

City Manager	Michael L. Stampfler
Deputy City Manager	Brian B. Bowling
Assistant City Manager	Sean P. McBride
Assistant City Manager for Information Technology	Devin C. Mackinder
City Attorney	Randall Brown
City Clerk	James R. Hudson
Assessor	James C. Bush
Benefit Services Director	Patricia Thompson
Community Development Director	Jeffery Erickson
Employee Development Director	John R. Boulis
Finance Director	Daniel S. Foecking
Fire Chief	Randolph B. Lawton
Parks and Recreation Director	William M. Deming
Police Chief	Richard J. White
Purchasing Director	Robert Luders
Senior Citizen Services Director	Josephine Arnold
Streets and Equipment Director	Jack G. Hartman
Transportation and Utilities Director	G. Dallas Williams



Independent Auditors' Report

Honorable Mayor and
Members of the City Council and City Manager
City of Portage
Portage, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Portage (the City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, and major special revenue funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Management's discussion and analysis on Pages 5 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual Nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the introductory section and portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO Seidman, LLP

Certified Public Accountants

November 1, 2004



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Honorable Mayor and
Members of the City Council and City Manager
City of Portage
Portage, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Portage (the City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Certified Public Accountants

November 1, 2004



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This section of the City of Portage's (the City) Comprehensive Annual Financial Reports presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, and the City's financial statements that follow this section.

Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$127,508,528 dollars (net assets). Of this amount, \$17,136,514 (unrestricted net assets) may be used to meet the government's ongoing obligations to its citizens. Unrestricted fund balances for the City as a whole total \$17,136,514 or 32.5% of primary government expenses, including transfers, of \$52,652,508.

At the close of the current fiscal year, the unrestricted fund balance for the general fund was \$2.4 million or 11.7% of total general fund expenditures, including transfers, of \$20,580,167, while undifferentiated fund balance is 18% of total expenditures.

The City's total long term obligations increased by \$11,012,218 after scheduled payments, during the fiscal year ended June 30, 2004. Governmental debt increased by \$9,478,586 and business-type debt increased by \$1,533,632. Business-type debt is self-supporting and does not rely on tax revenues for repayment. The key factor in this increase is the issuance of new debt that was partially offset by payment of existing debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements, which consist of three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

a. Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner comparable to a private-sector business. The two government-wide financial statements are, as follows:

- The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets.
- The **statement of activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes of net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, and parks and facility management. The business-type activities of the City include the water and sewer utilities.

b. Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental, proprietary and fiduciary funds. Within the governmental and proprietary categories, the emphasis is on the major funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds, which focus on how cash and other financial assets can readily be converted to available resources and on the available balances left at the year-end. This information may be useful in determining what financial resources are available in the near future to finance the City's programs. Other funds are referred to as nonmajor funds and are presented as summary data.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements. In addition to the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

The City's general fund is considered a major fund, and information is presented separately in the governmental fund balance sheet and statements of revenues, expenditures and changes in fund balances. In addition to the other major governmental funds (special assessment, capital improvement, major and local streets, revolving loan, and Local Development Finance Authority) the City maintains several individual governmental funds organized according to their type: special revenue funds, debt service funds, and permanent funds. Data from these governmental funds are combined into a single column labeled nonmajor governmental funds. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers -- either outside customers or internal units or departments of the City. Proprietary fund statements provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the water and sewer utilities, each of which are major funds.
- Internal service funds are used to report activities that provide services for many City programs and activities. The City uses internal service funds to account for equipment and certain insurances. Because these services benefit governmental operations more than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Since the resources of fiduciary funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Comparison of Government-wide and Fund Financial Components. The following chart compares how the City's funds are included in the government-wide and fund financial statements:

Fund Types	Government-wide	Fund Financials
General fund	Governmental	Governmental
Special assessment funds	Governmental	Governmental
Capital projects funds	Governmental	Governmental
Special revenue funds	Governmental	Governmental - nonmajor
Debt service funds	Governmental	Governmental - nonmajor
Permanent funds	Governmental	Governmental - nonmajor
Internal service funds	Governmental	Proprietary
Assets previously reported in General fixed asset group	Governmental	Excluded
Infrastructure assets	Governmental	Excluded
Liabilities previously reported in general long-term debt group	Governmental	Excluded
Water fund	Business-type	Proprietary
Sewer fund	Business-type	Proprietary
Fiduciary funds	Excluded	Fiduciary

Basis of reporting. The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and on the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

c. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the Government-wide Statements

a. Net Assets

The combined net assets of the City were as follows:

Net Assets						
(in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Assets						
Current and other assets	\$ 23,881	\$ 19,345	\$ 2,869	\$ 5,551	\$ 26,750	\$ 24,896
Capital assets	104,291	107,723	90,621	90,451	194,912	198,174
Total assets	128,172	127,068	93,490	96,002	221,662	223,070
Liabilities						
Long-term debt outstanding	63,323	53,010	24,240	23,134	87,563	76,144
Other liabilities	5,631	6,041	959	662	6,590	6,703
Total liabilities	68,954	59,051	25,199	23,796	94,153	82,847
Net assets						
Invested in capital assets, net of related debt	34,207	55,223	66,221	67,375	100,428	122,598
Restricted	9,244	7,351	700	700	9,944	8,051
Unrestricted	15,767	5,443	1,370	4,131	17,137	9,574
Total net assets	\$59,218	\$68,017	\$68,291	\$72,206	\$127,509	\$140,223

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$127.5 million at the close of the fiscal year. However, the largest portion of the City's net assets is restricted as to use, or is invested in capital assets (e.g. land, buildings, and equipment – 78.8%), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the City's net assets, \$9.94 million (7.8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$17.14 million (13.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in net assets for the government as a whole, as well as for business-type activities.

b. Changes in Net Assets

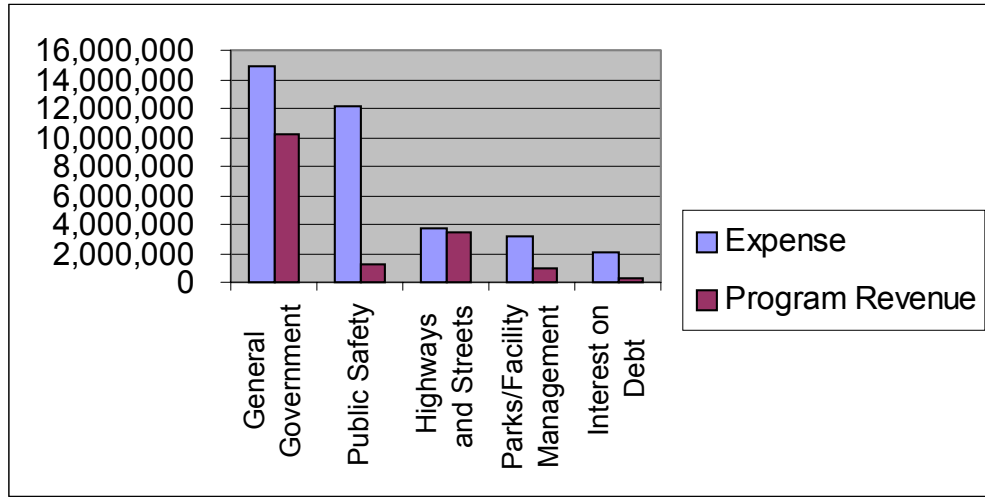
Total net assets of the City decreased by \$12.6 million in the current year. Governmental net assets decreased \$8.7 million, which is attributable primarily to the interaction of depreciation expense, offset by an increase in new fixed assets, coupled with an increase in debt issues reducing the value of capital assets net of debt. The business-type net assets decreased by \$3.9 million for the same reasons.

Changes in Net Assets (in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for services	\$ 2,313	\$ 2,396	\$ 7,450	\$ 7,498	\$ 9,763	\$ 9,894
Capital grants	2,468	2,027	-	-	2,468	2,027
Operating grants	4,650	4,863	78	105	4,728	4,967
General revenues:						
Property taxes	16,583	15,264	-	-	16,583	15,264
Interest revenue	161	104	-	-	33,542	32,193
Gain/(loss)	3	6	-	-	3	6
Other general revenues	6,242	6,211	203	1,474	6,445	7,685
Total revenues	32,420	30,872	7,731	9,076	73,533	71,996
Program expenses						
Legislative	45	50	-	-	45	50
Judicial	7	145	-	-	7	145
General government	5,873	5,233	-	-	5,873	5,233
Public safety	13,968	12,471	-	-	13,968	12,471
Public works	363	361	-	-	363	361
Health and welfare	1,469	1,878	-	-	1,469	1,878
Recreation and cultural	3,159	3,227	-	-	3,159	3,227
Public transportation	112	78	-	-	112	78
Highways and streets	5,747	3,750	-	-	5,747	3,750
Unallocated depreciation	7,007	6,901	-	-	7,007	6,901
Interest on long-term debt	3,016	2,159	-	-	3,016	2,159
Sewer	-	-	5,143	4,238	5,143	4,238
Water	-	-	6,742	3,229	6,742	3,229
Total expenses	40,767	36,254	11,885	7,467	52,653	43,721
Excess (deficiency)						
Before transfers	(8,347)	(5,382)	(4,154)	1,610	(12,501)	(3,773)
Transfers	(442)	82	239	(82)	(203)	-
Increase (decrease) in net assets	\$ (8,789)	\$ (5,300)	\$ (3,915)	\$ 1,528	\$ (12,704)	\$ (3,773)

c. Program Revenues and Expenses - Governmental Activities

The chart below illustrates the City's governmental expense and activity revenues by function: general government, public safety, highways and streets, parks and facility management, and interest on debt. This chart illustrates the degree to which the primary activities of the City are funded through fees, charges, restricted revenue sharing programs, restricted grant funding, and other revenue initiatives.

Government-wide Program Operating Expenses and Revenues - Governmental Activities
(In dollars)



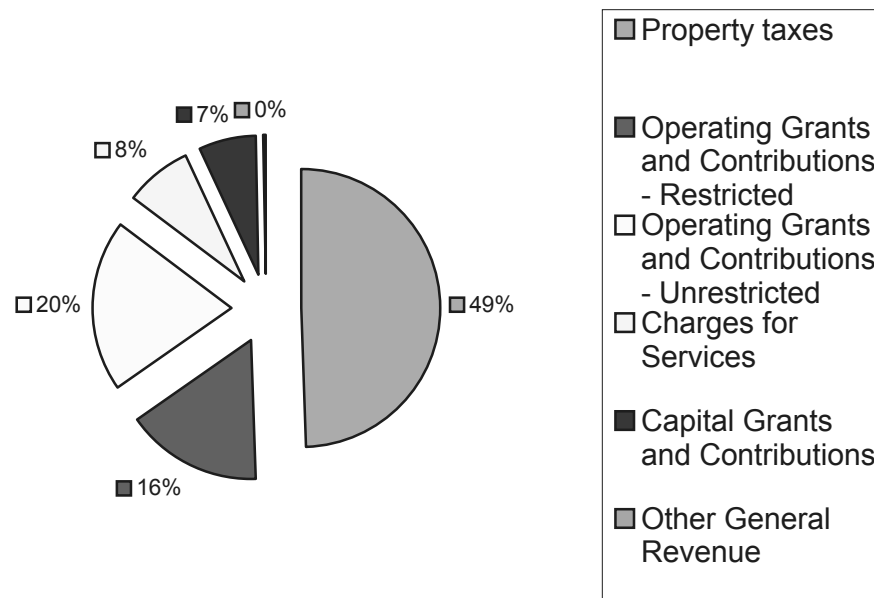
General revenues such as property taxes, fees and charges for services, and unrestricted grants and contributions are not shown by program, but are used to support program activities City-wide. For governmental activities, without regard to program, property taxes are the largest source of revenue, followed by restricted and unrestricted grant and contribution revenue, and charges for services.

Governmental Activities
(in thousands)

	Total Cost of Services		Net Cost of Services	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Public safety	\$13,968	\$12,471	\$12,880	\$11,294
General government	5,873	5,233	5,558	4,517
Highways and streets	5,747	3,750	2,041	344
Recreation and cultural	3,159	3,227	2,057	2,234
Health and welfare	1,469	1,878	(253)	393
All others	10,551	9,652	9,053	8,145
Total expenses	<u>\$40,767</u>	<u>\$36,211</u>	<u>\$31,336</u>	<u>\$26,926</u>

The governmental activities chart above factors in general revenues from property taxes, fees and charges for services. It compares cost and net cost from 2002/2003 to 2003/2004. Costs increased primarily as a result of contractual increases, continued emphasis on street and highway infrastructure expenditure to attract economic development, and the non-cash impact of recognizing depreciation expense. Continued reductions in state revenue sharing funding (and all intergovernmental revenues) and the continuing decline in the availability and amounts of grant funding are behind the increase in the net cost of services.

Government-wide Total Revenues by Source - Governmental Activities

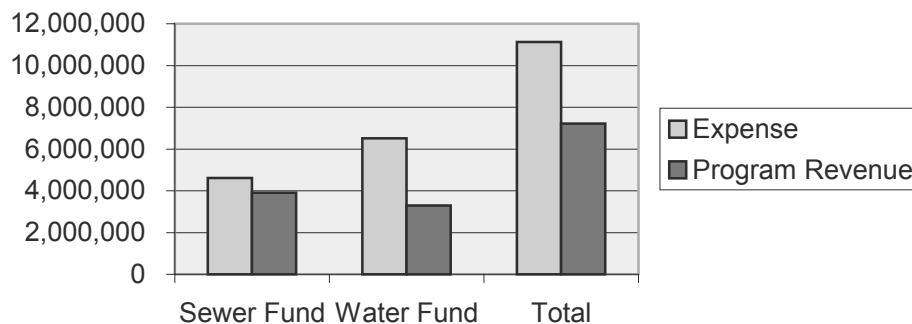


d. Program Revenues and Expenses -- Business-type Activities

Business type activities increased the City's net assets by \$1.5 million, primarily from bond proceeds and tap fees.

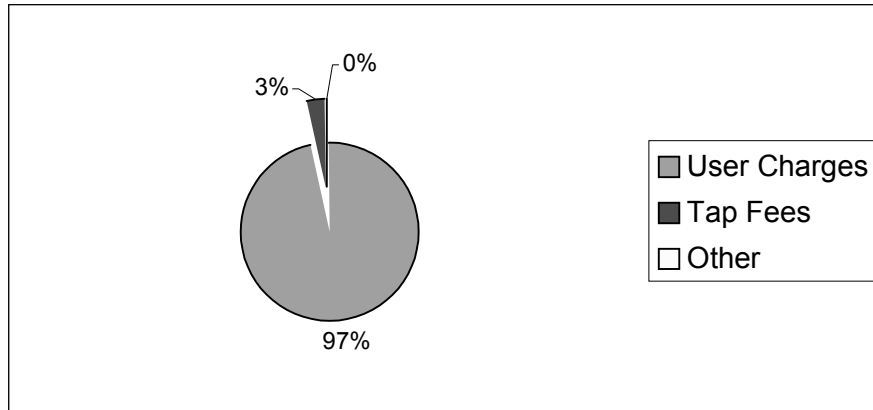
As shown in the following chart, combined operating expenditures exceeded combined operating revenues for the business-type activities. While leaving an adequate cushion as directed by City Council, making use of fund balance rather than increasing user fees was the strategic direction implemented by City Administration to continue operations, maintenance and improvement of City water and sewer systems.

Government-wide Operating Expenses and Program Revenues - Business-type Activities
(In dollars)



For business-type activities, charges for services provide the largest percentage of revenues (96.6%), followed by sewer tap fees (3.3%), and other revenues (.1%).

Government-wide Operating Revenue by Source - Business-type Activities



Financial Analysis of the Government's Fund Level Statements

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

a. Governmental funds

The City reports the following types of governmental funds: the general fund, special assessments fund, capital improvement fund, and permanent funds. The focus of the City's governmental funds is to provide information on the near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unrestricted fund balance of the general fund was \$2.4 million, while total fund balance was \$3.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 12% of total general fund expenditures (including transfers) of \$20 million, and total fund balance represents 18% of expenditures.

The fund balance in the general fund increased by \$412,568 during the fiscal year. The primary factor in the increase was prompt conservative action taken to control operating costs in light of continuing reductions in revenue sharing proceeds from the state of Michigan. Property tax revenues increased by 7.5% over fiscal 2002/2003, or approximately \$900,000, offsetting unavoidable cost increases.

The fund balance of the special assessment fund decreased on the basis of debt service in excess of current inflows. This utilization of fund balance mitigates the timing differences between the receipt of advance payoffs of assessments and the bond payment schedule.

The capital improvement fund balance increased by \$1.9 million due to the issuance of tax supported debt that funded the completion of a number of capital projects in the City.

The CDBG Program Income fund saw a fund balance increase of \$1,000 from program income in excess of program expenditures.

The Local Development Finance Authority fund balance increased as the result of the proceeds of bond issuance before year-end. Development activities occurred after July 1st.

The Major and Local Streets funds are displayed as major funds in the financial statements at the direction of the State of Michigan. Each fund showed a modest increase in fund balance.

b. Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

- Sewer fund net assets decreased by \$700,000 primarily due to infrastructure expenditures for sewer line extensions, and other capital investment.
- Water fund net assets decreased by \$3.2 million as a result of expenditure on the Stormwater Treatment Enhancement Project. The project will clean polluted stormwater runoff from the South Westnedge drainage area and prevent polluted water from entering Portage Creek. This is one component of the City's federal National Pollution Discharge Elimination System permit necessary to meet the requirements of the Clean Water Act.

c. Fiduciary funds

The City is the trustee, or *fiduciary*, for certain of its employees pension plans. It is also responsible for other assets that - because of trust arrangements - can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Other Information

a. General fund budgetary highlights

The final amended expenditure budget for the general fund was \$908,790 greater than the original budget. This increase was the result of encumbrances carried forward from previous budget year appropriations, and the amended budget reflects the reallocation of resources within the fund during the year for cost controls initiated by the City Manager.

The amended revenue budget for the general fund was \$306,557 more than the original budget reflecting grants awarded that were not included in the original budget.

b. Capital assets

The City's capital assets for governmental and business-type activities as of June 30, 2004, amount to \$194,911,544 (net of accumulated depreciation). Capital assets include land, buildings and improvements, equipment, vehicles, and infrastructure. The total increase in the City's capital assets, before depreciation, for the current fiscal year was \$11,763,373. Capital asset balances are as follows:

Capital Assets at Year-end
(net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 6,420	\$ 6,211	\$ 218	\$ 218	\$ 6,638	\$ 6,428
Land improvements	3,236	3,129	58	65	3,294	3,195
Buildings	7,821	7,414	534	569	8,355	7,982
Machinery and equipment	1,214	1,784	319	380	1,533	2,164
Vehicles	2,170	2,364	-	-	2,170	2,364
Water / sewer system	-	-	89,492	84,516	89,492	84,516
Infrastructure	83,431	86,822	-	-	83,431	86,822
Construction in progress	-	-	-	4,703	-	4,703
Totals	\$ 104,290	\$107,723	\$ 90,621	\$90,451	\$194,912	\$198,174

Major capital asset events during the current fiscal year included the following:

- Governmental capital assets increased by \$4.7 million, \$3.6 million of which was due to the addition of infrastructure assets.
- Business-type activities purchased or completed construction on capital assets of \$6.2 million, consisting of the replacement and extension of sewer and water lines, the Stormwater Treatment Enhancement project, and well renovation costs.

c. Debt Administration

At the end of the current fiscal year, the City reported \$85 million in outstanding bonded debt. Of this amount, \$8 million is general obligation debt backed by the full faith and credit of the City, \$19 million is revenue bonds, and the remainder is other bonded debt requiring varying levels of guarantee. In addition, the City reported other long term obligations of \$2.6 million. Additional information can be found in Note 7.

Outstanding Obligations at Year-end
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
General Obligation Bonds (backed by the city)	\$ 60,809	\$ 50,684	\$ 4,685	\$ 5,055	\$ 65,494	\$ 55,739
Revenue Bonds (backed by specific revenues)	-	-	19,525	17,770	19,525	17,770
Totals	\$ 60,809	\$ 50,684	\$ 24,210	\$ 22,825	\$ 85,019	\$ 73,509

During fiscal year 2004, the City's total long term obligations increased by \$11.4 million, net of scheduled payments. The City issued new debt, and the issues included:

- Bonded debt for government functions increased by \$10 million, and was used primarily for the following: park and bikeway improvements, scheduled public safety

vehicle replacement, fire department facility and equipment refurbishment, and replacement of a fire truck. Street projects included: Schuring Road reconstruction and sanitary sewer, Oakland Drive from I-94 to W. Milham and from W. Milham to Romence Road, and major street resurfacing. Other obligations increased by \$236 thousand primarily due to increases in compensated absences liability.

- Bonded debt for business-type functions increased \$1 million, net of scheduled payments, and was used primarily for Portage Creek Stormwater Treatment/Enhancement, well renovations, the W. Milham water main extension, and the northwest water transmission main.

The City continues to maintain excellent credit ratings on debt issues, and in November, 2003, received and upgrade in rating from Standard and Poor's from AA- to AA.

d. Economic Factors and Next Year's Budget and Rates

The City Manager and the City's elected officials considered many factors when setting the fiscal year 2003/2004 budget. Promising signs of growth have resulted in initiatives such as the new Stryker facility started in the summer of 2004, and the Shaver Road Wal-Mart under construction. Employment has been stable. In late 2002, the City began a savings plan to build reserves for 2002/2003 and beyond. These savings are smoothing the City's transition through the continuing decline in state revenue sharing. The City has continued aggressive cost containment measures, with City departments identifying one-time and on-going cost savings. City management has reduced costs through implementation of process improvements for greater efficiencies. The City has continued to pursue an aggressive course of economic diversification and development, as well as an emphasis on maintaining and improving its infrastructure, as a means to grow tax base and not rely solely on cost cutting to weather rough economic times. In late 2003, the City began planning its 2004/2005 budget addressing slower growth in tax base, and continuing decline in all categories of state funding.

e. Requests for information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the finance department of the City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002, or 269-329-4456, or on the web at <http://www.portagemi.com>.



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CITY OF PORTAGE, MICHIGAN
Statement of Net Assets
June 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and cash equivalents	\$ 14,949,070	\$ -	\$ 14,949,070	\$ 17,767
Receivables, net	8,152,406	2,132,395	10,284,801	-
Prepaid items and other assets	780,005	36,624	816,629	-
Restricted cash	-	700,000	700,000	-
Land and rights of way	10,799,025	217,945	11,016,970	-
Capital assets, net of depreciation	93,491,392	90,403,182	183,894,574	-
Total assets	128,171,898	93,490,146	221,662,044	17,767
Liabilities				
Accounts payable and accrued expenses	4,430,553	642,913	5,073,466	-
Checks issued on future deposits	-	244,175	244,175	-
Deferred revenue	1,200,620	42,002	1,242,622	-
Long-term liabilities:				
Due within one year	4,514,097	1,409,660	5,923,757	-
Due in more than one year	58,809,359	22,860,137	81,669,496	-
Total liabilities	68,954,629	25,198,887	94,153,516	-
Net assets				
Invested in capital assets, net of related debt	30,167,936	66,191,455	96,359,391	-
Restricted for:				
Debt service	5,378,710	-	5,378,710	-
Capital projects	3,239,897	-	3,239,897	-
Other purposes	624,742	700,000	1,324,742	-
Unrestricted	19,805,984	1,399,804	21,205,788	17,767
Total net assets	\$ 59,217,269	\$ 68,291,259	\$ 127,508,528	\$ 17,767

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN
Statement of Activities
Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
Legislative	\$ 44,582	\$ -	\$ -	\$ -
Judicial	7,243	32,000	-	-
General government	5,873,375	186,838	128,539	-
Public safety	13,968,241	987,604	100,671	-
Public works	363,187	-	55,041	1,138,476
Health and welfare	1,468,973	83,291	356,400	1,281,939
Recreation and cultural	3,158,910	781,722	272,958	47,707
Public transportation	112,273	-	-	-
Highways and streets	5,747,242	-	3,705,830	-
Unallocated depreciation expense	7,007,459	-	-	-
Interest on long-term debt	3,015,997	241,754	30,497	-
Total governmental activities	<u>40,767,482</u>	<u>2,313,209</u>	<u>4,649,936</u>	<u>2,468,122</u>
Business-type activities:				
Sewer	5,142,768	4,147,921	68,438	-
Water	6,742,257	3,302,014	9,772	-
Total business-type activities	<u>11,885,025</u>	<u>7,449,935</u>	<u>78,210</u>	<u>-</u>
Total primary government	<u>52,652,507</u>	<u>9,763,144</u>	<u>4,728,146</u>	<u>2,468,122</u>
Component unit				
Economic Development Corporation	-	-	89	-
Total component units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

General revenues:

Property taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Prior Period Adjustment - transfer from closed fund - Note 15

Prior Period Adjustment - reclassified fund status - Note 15

Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Dev. Corp.
\$ (44,582)	\$ -	\$ (44,582)	\$ -
24,757	-	24,757	-
(5,557,998)	-	(5,557,998)	-
(12,879,966)	-	(12,879,966)	-
830,330	-	830,330	-
252,657	-	252,657	-
(2,056,523)	-	(2,056,523)	-
(112,273)	-	(112,273)	-
(2,041,412)	-	(2,041,412)	-
(7,007,459)	-	(7,007,459)	-
(2,743,746)	-	(2,743,746)	-
(31,336,215)	-	(31,336,215)	-
-	(926,409)	(926,409)	-
-	(3,430,471)	(3,430,471)	-
-	(4,356,880)	(4,356,880)	-
(31,336,215)	(4,356,880)	(35,693,095)	-
-	-	-	89
-	-	-	89
16,582,856	-	16,582,856	-
6,242,498	-	6,242,498	-
160,560	-	160,560	-
3,168	-	3,168	-
(442,000)	442,000	-	-
22,547,082	442,000	22,989,082	-
(8,789,133)	(3,914,880)	(12,704,013)	89
67,924,965	72,206,139	140,131,104	17,678
(10,029)	-	(10,029)	-
91,466	-	91,466	-
\$ 59,217,269	\$ 68,291,259	\$ 127,508,528	\$ 17,767



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FUND FINANCIAL STATEMENTS



CITY OF PORTAGE, MICHIGAN

Balance Sheet Governmental Funds June 30, 2004

	General Fund	Special Assessments Fund	Capital Improvement Fund
<u>ASSETS</u>			
Cash and investments	\$ 3,024,896	\$ 3,129,895	\$ 3,534,160
Accounts receivable	86,753	-	-
Delinquent taxes receivable	46,169	-	-
Special assessments receivable	-	5,068,033	-
Due from other governments	815,233	119,431	47,079
Prepaid costs	433,642	-	-
Total assets	<u>\$ 4,406,693</u>	<u>\$ 8,317,359</u>	<u>\$ 3,581,239</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 209,562	\$ 150	\$ 282,723
Checks issued against future deposits	-	-	-
Accrued compensation	348,614	-	-
Interest payable	-	-	-
Deferred revenue	25,427	5,192,925	-
Deposits payable	93,689	-	58,619
Total liabilities	<u>677,292</u>	<u>5,193,075</u>	<u>341,342</u>
<u>FUND BALANCE</u>			
Reserved for encumbrances	844,014	-	267,838
Reserved for prepaid costs	433,642	-	-
Reserved for imprest cash funds	3,530	-	-
Reserved for emergency preparedness	1,000	-	-
Reserved for public safety training	42,004	-	-
Reserved for uncompleted projects	-	-	2,972,059
Reserved for debt service	-	-	-
Reserved for perpetual care	-	-	-
Reserved for loans	-	-	-
Unreserved and undesignated, reported in:			
General fund	2,405,211	-	-
Debt service funds	-	3,124,284	-
Special revenue funds	-	-	-
Permanent funds	-	-	-
Total fund balance	<u>3,729,401</u>	<u>3,124,284</u>	<u>3,239,897</u>
Total liabilities and fund balance	<u>\$ 4,406,693</u>	<u>\$ 8,317,359</u>	<u>\$ 3,581,239</u>

The notes to the financial statements are an integral part of this statement.

Major Streets Fund	Local Streets Fund	C.D.B.G. Program Income Fund	Local Development Finance Authority 2004 Fund	Nonmajor Governmental Funds	Total
\$ -	\$ 201,497	\$ 6,963	\$ 2,988,470	\$ 1,192,215	\$ 14,078,096
-	-	1,158,155	-	136,237	1,381,145
-	-	-	-	-	46,169
-	-	-	-	-	5,068,033
463,520	138,709	-	-	73,087	1,657,059
17,702	13,189	-	175,711	9,295	649,539
<u>\$ 481,222</u>	<u>\$ 353,395</u>	<u>\$ 1,165,118</u>	<u>\$ 3,164,181</u>	<u>\$ 1,410,834</u>	<u>\$ 22,880,041</u>

\$ 28,576	\$ 11,255	\$ 304	\$ -	\$ 8,492	\$ 541,062
46,985	-	-	-	44,669	91,654
22,808	20,667	-	-	10,298	402,387
-	-	-	-	5,287	5,287
-	-	1,158,156	-	17,033	6,393,541
-	-	-	-	25,000	177,308
<u>98,369</u>	<u>31,922</u>	<u>1,158,460</u>	<u>-</u>	<u>110,779</u>	<u>7,611,239</u>

20,082	8,587	-	-	53,532	1,194,053
17,702	13,189	-	-	9,295	473,828
-	-	-	-	-	3,530
-	-	-	-	-	1,000
-	-	-	-	-	42,004
-	-	-	-	138,344	3,110,403
-	-	-	-	180,498	180,498
-	-	-	-	624,742	624,742
-	-	6,658	-	-	6,658
-	-	-	-	-	2,405,211
-	-	-	3,164,181	-	6,288,465
345,069	299,697	-	-	-	644,766
-	-	-	-	293,644	293,644
<u>382,853</u>	<u>321,473</u>	<u>6,658</u>	<u>3,164,181</u>	<u>1,300,055</u>	<u>15,268,802</u>
<u>\$ 481,222</u>	<u>\$ 353,395</u>	<u>\$ 1,165,118</u>	<u>\$ 3,164,181</u>	<u>\$ 1,410,834</u>	<u>\$ 22,880,041</u>



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CITY OF PORTAGE, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
June 30, 2004

Fund balances - total governmental funds	\$ 15,268,802
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	205,215,848
Subtract: accumulated depreciation	(103,031,739)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred special assessments	5,192,925
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	580,765
--	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable, net of internal service fund debt	(58,857,696)
Subtract: compensated absences and other long-term liabilities, net of internal service fund compensated absences	(2,476,604)
Subtract: accrued interest on long-term liabilities	<u>(2,675,032)</u>

Net assets of governmental activities	<u><u>\$ 59,217,269</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

Fiscal Year Ended June 30, 2004

	General Fund	Special Assessments Fund	Capital Improvement Fund
REVENUES:			
Taxes and special assessments	\$ 12,927,922	\$ 777,621	\$ 3,265,983
Refund of prior tax collections	-	-	-
Licenses and permits	685,820	-	-
Intergovernmental	4,242,180	-	104,555
Charges for services	2,710,055	-	-
Interest and rents	225,987	346,736	9,907
Other	200,771	-	-
Total revenues	<u>20,992,735</u>	<u>1,124,357</u>	<u>3,380,445</u>
EXPENDITURES:			
Current:			
Legislative	44,582	-	-
Judicial	7,243	-	-
General government	4,996,050	-	-
Public safety	12,475,977	-	-
Public works	334,720	-	-
Health and welfare	102,075	-	-
Recreation and cultural	2,156,089	-	-
Public transportation	107,410	-	-
Highways and streets	-	-	-
Capital outlay	-	-	8,459,879
Debt service:			
Principal	-	955,000	-
Interest and fiscal charges	-	374,951	-
Total expenditures	<u>20,224,146</u>	<u>1,329,951</u>	<u>8,459,879</u>
Excess (deficiency) of revenues over (under) expenditures	<u>768,589</u>	<u>(205,594)</u>	<u>(5,079,434)</u>
OTHER FINANCING SOURCES (USES):			
Issuance of debt	-	-	10,092,000
Transfers in	334,555	-	1,720,330
Transfers out	(690,576)	(60,765)	(4,790,642)
Net other financing sources (uses)	<u>(356,021)</u>	<u>(60,765)</u>	<u>7,021,688</u>
Net change in fund balances	412,568	(266,359)	1,942,254
Fund balances - beginning	<u>3,316,833</u>	<u>3,390,643</u>	<u>1,297,643</u>
Fund balances - ending	<u>\$ 3,729,401</u>	<u>\$ 3,124,284</u>	<u>\$ 3,239,897</u>

The notes to the financial statements are an integral part of this statement.

Major Streets Fund	Local Streets Fund	C.D.B.G. Program Income Fund	Local Development Finance Authority 2004 Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,718,597	\$ 18,690,123
-	-	-	-	(538,008)	(538,008)
-	-	-	-	498,684	1,184,504
2,882,572	816,164	-	-	347,763	8,393,234
-	-	72,774	-	89,524	2,872,353
2,984	-	-	14,181	279,312	879,107
525	3,585	-	-	110,122	315,003
<u>2,886,081</u>	<u>819,749</u>	<u>72,774</u>	<u>14,181</u>	<u>2,505,994</u>	<u>31,796,316</u>
-	-	-	-	-	44,582
-	-	-	-	-	7,243
-	-	-	-	51,337	5,047,387
-	-	-	-	61,838	12,537,815
-	-	-	-	-	334,720
-	-	71,729	-	1,263,631	1,437,435
-	-	-	-	579,844	2,735,933
-	-	-	-	-	107,410
1,944,398	1,365,564	-	-	-	3,309,962
-	-	-	-	-	8,459,879
-	-	-	-	1,987,857	2,942,857
-	-	-	-	1,849,002	2,223,953
<u>1,944,398</u>	<u>1,365,564</u>	<u>71,729</u>	<u>-</u>	<u>5,793,509</u>	<u>39,189,176</u>
<u>941,683</u>	<u>(545,815)</u>	<u>1,045</u>	<u>14,181</u>	<u>(3,287,515)</u>	<u>(7,392,860)</u>
-	-	-	3,150,000	-	13,242,000
67,788	812,788	-	-	3,076,608	6,012,069
(868,500)	(18,500)	-	-	(323,667)	(6,752,650)
<u>(800,712)</u>	<u>794,288</u>	<u>-</u>	<u>3,150,000</u>	<u>2,752,941</u>	<u>12,501,419</u>
140,971	248,473	1,045	3,164,181	(534,574)	5,108,559
<u>241,882</u>	<u>73,000</u>	<u>5,613</u>	<u>-</u>	<u>1,834,629</u>	<u>10,160,243</u>
<u>\$ 382,853</u>	<u>\$ 321,473</u>	<u>\$ 6,658</u>	<u>\$ 3,164,181</u>	<u>\$ 1,300,055</u>	<u>\$ 15,268,802</u>



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CITY OF PORTAGE, MICHIGAN
Reconciliation of the Statement of Revenue, Expenditures
and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Fiscal Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 5,108,559

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	4,597,983
Subtract: depreciation expense	(7,968,236)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	2,942,857
Add: change in Special Revenue deferred revenue	69,159
Subtract: issuance of debt	(13,242,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: prior year accrued interest on bonds	2,498,342
Subtract: current year accrued interest on bonds	(2,675,032)
Subtract: increase in the accrual of compensated absences	(230,490)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: interest revenue from governmental internal service funds	13,697
Add: gain/loss on disposal of fixed assets in governmental internal service funds	3,168
Add: issued debt transferred to internal service fund	318,670
Subtract: interest expense from governmental internal service funds	(77,346)
Subtract: transfer of net assets at closure of internal service fund	(20,089)
Subtract: net operating income from governmental activities accounted for in internal service funds	(128,375)

Change in net assets of governmental activities	\$ (8,789,133)
---	----------------

The accompanying notes are an integral part of these financial statements.



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CITY OF PORTAGE, MICHIGAN

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Fiscal Year Ended June 30, 2004

REVENUES:	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
Taxes:				
Property tax collections	\$ 12,145,200	\$ 12,205,200	\$ 12,164,778	\$ (40,422)
Penalty and interest	40,000	40,000	78,819	38,819
Administration fees	704,000	704,000	684,325	(19,675)
Licenses and permits:				
Building fees and permits	677,000	677,000	661,637	(15,363)
Liquor licenses	20,000	20,000	24,183	4,183
Other permits	500	500	-	(500)
Federal grants	52,700	66,696	14,051	(52,645)
State Grants:				
Revenue sharing	4,623,580	4,615,382	4,096,603	(518,779)
Criminal justice grants	10,000	10,000	11,501	1,501
Parks grants	2,500	2,500	2,500	-
Senior Center grants	76,389	76,389	46,256	(30,133)
Tax audit grants	-	76,759	44,064	(32,695)
Contribution from local units	26,000	26,000	27,205	1,205
Charges for services:				
Recreation fees	183,275	193,175	198,109	4,934
Police service fees	197,300	282,300	236,210	(46,090)
Planning, zoning and site fees	80,000	80,900	101,334	20,434
Accounting and management	2,095,900	2,095,900	2,080,400	(15,500)
Cemetery	48,500	48,500	60,516	12,016
Court Cost Reimbursement	51,210	51,210	32,000	(19,210)
Senior Center	2,500	2,500	670	(1,830)
Other	2,000	2,000	816	(1,184)
Fines and forfeits	186,000	186,000	-	(186,000)
Interest and rents:				
Interest on investments	280,000	280,000	146,863	(133,137)
Rental income	129,000	159,000	79,124	(79,876)
Other:				
Reimbursements:				
Senior Center	62,300	92,300	64,140	(28,160)
Other reimbursements	30,600	30,600	1,912	(28,688)
Property sales	25,000	25,000	64,757	39,757
Donations	8,000	9,700	8,453	(1,247)
Miscellaneous	60,000	66,500	61,509	(4,991)
Total revenues	21,819,454	22,126,011	20,992,735	(1,133,276)

continued...

CITY OF PORTAGE, MICHIGAN

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (continued) Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
EXPENDITURES:				
Judicial:				
District Court	\$ 195,000	\$ 212,798	\$ 7,243	\$ 205,555
Legislative:				
City Council	45,000	45,000	44,582	418
General Government:				
City Manager	791,951	800,789	713,783	87,006
Finance:				
Accounting	315,793	320,168	294,462	25,706
Financial management	323,403	335,603	304,291	31,312
Treasury	320,949	340,949	262,774	78,175
City assessor:				
Assessor	570,581	754,500	608,148	146,352
Board of review	23,707	23,707	23,627	80
City attorney	180,464	180,464	179,175	1,289
City clerk:				
Elections	150,012	120,012	114,862	5,150
City clerk	150,584	153,107	149,440	3,667
Records management	54,835	54,835	59,459	(4,624)
Human resources:				
Employee development	474,713	536,304	423,180	113,124
Benefit services	352,836	362,036	308,758	53,278
Information services:				
Management information services	696,568	736,568	696,482	40,086
Communication services	-	-	2,787	(2,787)
Purchasing:				
Purchasing	173,814	219,620	217,592	2,028
Risk management	24,542	31,143	30,751	392
Buildings	636,988	666,371	504,965	161,406
Cemeteries	110,901	117,154	101,514	15,640
Public safety:				
Police:				
Administration	689,235	683,168	619,746	63,422
Youth services	759,607	764,425	703,148	61,277
Investigation	594,061	599,759	543,991	55,768
Patrol	4,284,211	4,568,758	3,782,762	785,996
Training	170,516	189,986	169,622	20,364
Central communications	912,410	927,240	855,623	71,617
911 Call Center	67,629	67,629	67,443	186
Info Systems	-	-	291	(291)
Records	618,525	637,348	623,701	13,647
Drug law enforcement	195,082	195,707	184,937	10,770
Fire:				
Administration	580,079	632,567	578,513	54,054
Operations	3,130,812	3,110,573	2,909,481	201,092
On-call	133,200	126,200	121,317	4,883
Fire marshal	107,015	127,815	121,932	5,883
Training	115,927	113,280	105,694	7,586

continued...

CITY OF PORTAGE, MICHIGAN

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (continued) Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
EXPENDITURES (continued):				
Community development:				
Building services	\$ 622,597	\$ 628,997	\$ 589,906	\$ 39,091
Planning/community development	293,663	289,128	282,047	7,081
Neighborhood services	232,270	211,461	215,823	(4,362)
Public works:				
Street lighting	367,000	367,000	334,720	32,280
Health and welfare:				
Human services	117,150	137,150	102,075	35,075
Recreation and cultural:				
Senior citizen center	428,900	439,248	391,008	48,240
Recreation	274,632	286,192	260,298	25,894
Parks	1,495,105	1,576,298	1,504,783	71,515
Transportation subsidies	109,267	109,267	107,410	1,857
Total expenditures	<u>21,891,534</u>	<u>22,800,324</u>	<u>20,224,146</u>	<u>2,576,178</u>
Excess of revenues over expenditures	<u>(72,080)</u>	<u>(674,313)</u>	<u>768,589</u>	<u>1,442,902</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
Leaf Pickup/Spring Cleanup Fund	-	104,913	104,913	-
Cable TV Fund	200,000	200,000	200,000	-
Communication Services Fund	-	-	20,089	20,089
Cemetery Perpetual Care Fund	42,000	42,000	9,553	(32,447)
Transfers out:				
Major Street Fund	(100,000)	(67,788)	(67,788)	-
Local Street Fund	<u>(645,000)</u>	<u>(622,788)</u>	<u>(622,788)</u>	<u>-</u>
Total other financing sources and uses	<u>(503,000)</u>	<u>(343,663)</u>	<u>(356,021)</u>	<u>(12,358)</u>
Net change in fund balance	(575,080)	(1,017,976)	412,568	1,430,544
Fund balance - beginning	<u>3,316,833</u>	<u>3,316,833</u>	<u>3,316,833</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,741,753</u>	<u>\$ 2,298,857</u>	<u>\$ 3,729,401</u>	<u>\$ 1,430,544</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Major Streets Fund Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUES				
Intergovernmental:				
State grants	\$ 2,708,000	\$ 2,870,000	\$ 2,882,572	\$ 12,572
Interest on investments	30,000	30,000	2,984	(27,016)
Other	162,000	162,000	525	(161,475)
Total revenues	<u>2,900,000</u>	<u>3,062,000</u>	<u>2,886,081</u>	<u>(175,919)</u>
EXPENDITURES				
Highways and streets:				
Routine maintenance	428,095	450,420	376,047	74,373
Traffic services	503,545	564,845	511,879	52,966
Winter maintenance	410,103	410,103	358,600	51,503
Administration	711,595	718,975	697,872	21,103
Total expenditures	<u>2,053,338</u>	<u>2,144,343</u>	<u>1,944,398</u>	<u>199,945</u>
Excess (deficiency) of revenues over expenditures	<u>846,662</u>	<u>917,657</u>	<u>941,683</u>	<u>24,026</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
General Fund	100,000	67,788	67,788	-
Transfers out:				
Local Street Fund	(200,000)	(200,000)	(200,000)	-
Sewer Fund	(18,500)	(18,500)	(18,500)	-
Capital Improvement Funds	<u>(650,000)</u>	<u>(650,000)</u>	<u>(650,000)</u>	<u>-</u>
Net other financing sources (uses)	<u>(768,500)</u>	<u>(800,712)</u>	<u>(800,712)</u>	<u>-</u>
Net change in fund balances	78,162	116,945	140,971	24,026
Fund balances - beginning	<u>241,882</u>	<u>241,882</u>	<u>241,882</u>	<u>-</u>
Fund balances - ending	<u>\$ 320,044</u>	<u>\$ 358,827</u>	<u>\$ 382,853</u>	<u>\$ 24,026</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Local Streets Fund Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUES				
Intergovernmental:				
State grants	\$ 790,000	\$ 790,000	\$ 816,164	\$ 26,164
Interest on investments	2,500	2,500	-	(2,500)
Other revenue	-	-	3,585	3,585
Total revenues	<u>792,500</u>	<u>792,500</u>	<u>819,749</u>	<u>27,249</u>
EXPENDITURES				
Highways and streets:				
Routine maintenance	446,240	416,963	389,307	27,656
Traffic services	74,669	75,906	60,322	15,584
Winter maintenance	356,372	356,372	324,793	31,579
Administration	600,414	606,974	591,142	15,832
Total expenditures	<u>1,477,695</u>	<u>1,456,215</u>	<u>1,365,564</u>	<u>90,651</u>
Excess (deficiency) of revenues over expenditures	<u>(685,195)</u>	<u>(663,715)</u>	<u>(545,815)</u>	<u>117,900</u>
OTHER FINANCING SOURCES (USES):				
Transfers in:				
General Fund	645,000	612,788	612,788	-
Major Street Fund	200,000	200,000	200,000	-
Transfers out:				
Sewer Operating Fund	<u>(18,500)</u>	<u>(18,500)</u>	<u>(18,500)</u>	<u>-</u>
Net other financing sources (uses)	<u>826,500</u>	<u>794,288</u>	<u>794,288</u>	<u>-</u>
Net change in fund balances	141,305	130,573	248,473	117,900
Fund balances - beginning	<u>73,000</u>	<u>73,000</u>	<u>73,000</u>	<u>-</u>
Fund balances - ending	<u>\$ 214,305</u>	<u>\$ 203,573</u>	<u>\$ 321,473</u>	<u>\$ 117,900</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Statement of Net Assets Proprietary Funds

June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and investments	\$ 2,870,872	\$ -	\$ 2,870,872	\$ 962,628
Restricted cash and investments:				
Revenue bonds	100,000	100,000	200,000	-
Rate stabilization reserve	500,000	-	500,000	-
Accounts receivable	1,069,828	781,414	1,851,242	-
Due from other governmental units	2,067	22,891	24,958	-
Inventory	-	-	-	72,828
Prepaid costs	25,189	11,435	36,624	57,638
Current portion of hookup: charges receivable	19,539	12,011	31,550	-
Total current assets	<u>4,587,495</u>	<u>927,751</u>	<u>5,515,246</u>	<u>1,093,094</u>
Noncurrent assets:				
Hook-up charges receivable (net of current portion)	134,993	89,652	224,645	-
Total other assets	<u>134,993</u>	<u>89,652</u>	<u>224,645</u>	<u>-</u>
Capital assets:				
Land	51,495	166,450	217,945	22,489
Land improvements	-	90,517	90,517	123,769
Buildings	690,470	399,031	1,089,501	1,701,151
Utility system	65,810,297	46,297,625	112,107,922	-
Machinery and equipment	707,282	451,456	1,158,738	958,074
Vehicles	-	-	-	3,362,578
Less accumulated depreciation	<u>(16,561,793)</u>	<u>(7,481,703)</u>	<u>(24,043,496)</u>	<u>(4,061,757)</u>
Total capital assets (net of accumulated depreciation)	<u>50,697,751</u>	<u>39,923,376</u>	<u>90,621,127</u>	<u>2,106,304</u>
Total assets	<u>55,420,239</u>	<u>40,940,779</u>	<u>96,361,018</u>	<u>3,199,398</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Statement of Net Assets Proprietary Funds (continued) June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 292,632	\$ 248,571	\$ 541,203	\$ 3,479
Accrued compensation	10,807	11,285	22,092	6,673
Checks issued on future deposits	-	3,115,047	3,115,047	-
Workers' compensation	-	-	-	600,866
Accrued interest payable	20,637	58,981	79,618	18,459
Deferred revenue	32,483	9,519	42,002	-
Current portion of long term debt	297,769	803,536	1,101,305	301,167
Total current liabilities	<u>654,328</u>	<u>4,246,939</u>	<u>4,901,267</u>	<u>930,644</u>
Long term debt:				
Revenue bonds (net of current portion)	2,752,906	15,329,889	18,082,795	-
Limited tax general obligation bonds (net of current portion)	3,103,871	1,921,814	5,025,685	-
Notes payable-net of current portion	-	-	-	112,112
Capitalized lease (net of current portion)	-	-	-	1,538,241
Accrued vacation and sick pay	30,006	30,006	60,012	37,636
Total long term debt	<u>5,886,783</u>	<u>17,281,709</u>	<u>23,168,492</u>	<u>1,687,989</u>
Total liabilities	<u>6,541,111</u>	<u>21,528,648</u>	<u>28,069,759</u>	<u>2,618,633</u>
NET ASSETS				
Invested in capital assets, net of related debt	44,543,205	21,868,137	66,411,342	154,784
Restricted:				
Restricted for revenue bond indentures	100,000	100,000	200,000	-
Restricted for rate stabilization fund	500,000	-	500,000	-
Unrestricted	<u>3,735,923</u>	<u>(2,556,006)</u>	<u>1,179,917</u>	<u>425,981</u>
Total net assets	<u>\$ 48,879,128</u>	<u>\$ 19,412,131</u>	<u>\$ 68,291,259</u>	<u>\$ 580,765</u>

CITY OF PORTAGE, MICHIGAN

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds

Fiscal Year Ended June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
Operating revenues:				
Charges for services:				
User charges	\$ 3,910,397	\$ 3,294,609	\$ 7,205,006	\$ 2,211,606
Other	-	7,405	7,405	23,551
Total operating revenues	<u>3,910,397</u>	<u>3,302,014</u>	<u>7,212,411</u>	<u>2,235,157</u>
Operating expenses:				
Operations and maintenance	3,154,923	4,236,115	7,391,038	1,929,033
General and administrative	987,327	1,156,283	2,143,610	36,932
Depreciation	731,811	589,493	1,321,304	397,570
Total operating expenses	<u>4,874,061</u>	<u>5,981,891</u>	<u>10,855,952</u>	<u>2,363,535</u>
Operating income (loss)	<u>(963,664)</u>	<u>(2,679,877)</u>	<u>(3,643,541)</u>	<u>(128,378)</u>
Nonoperating revenues (expenses):				
Interest on investments	68,438	9,772	78,210	13,697
Interest and fiscal charges	(268,707)	(760,366)	(1,029,073)	(77,346)
Gain (loss) on sale of fixed assets	-	-	-	3,168
Total nonoperating revenue (expenses)	<u>(200,269)</u>	<u>(750,594)</u>	<u>(950,863)</u>	<u>(60,481)</u>
Income (loss) before contributions and transfers	(1,163,933)	(3,430,471)	(4,594,404)	(188,859)
Capital contributions:				
Bond proceeds	203,000	-	203,000	-
Tap fees	237,524	-	237,524	-
Transfers in	37,000	240,000	277,000	-
Transfers out	(11,000)	(27,000)	(38,000)	(20,089)
Change in net assets	<u>(697,409)</u>	<u>(3,217,471)</u>	<u>(3,914,880)</u>	<u>(208,948)</u>
Total net assets - beginning	<u>49,576,537</u>	<u>22,629,602</u>	<u>72,206,139</u>	<u>789,713</u>
Total net assets - ending	<u>\$ 48,879,128</u>	<u>\$ 19,412,131</u>	<u>\$ 68,291,259</u>	<u>\$ 580,765</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Statement of Cash Flows Proprietary Funds

Fiscal Year Ended June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Funds
OPERATING ACTIVITIES:				
Cash received from customers	\$ 4,216,409	\$ 3,355,907	\$ 7,572,316	\$ 2,235,157
Cash payments to suppliers	(3,796,899)	(2,903,341)	(6,700,240)	(1,671,402)
Cash payments to employees for services	(327,182)	(343,637)	(670,819)	(335,401)
Cash provided by operating activities	<u>92,328</u>	<u>108,929</u>	<u>201,257</u>	<u>228,354</u>
NONCAPITAL FINANCING ACTIVITIES:				
Transfer from other funds	37,000	240,000	277,000	-
Transfer to other funds	(11,000)	(27,000)	(38,000)	(20,089)
Cash provided (used) by capital and related financing activities	<u>26,000</u>	<u>213,000</u>	<u>239,000</u>	<u>(20,089)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Issuance of debt	-	-	-	318,670
Acquisition and construction of capital assets	(591,418)	(900,307)	(1,491,725)	(335,176)
Proceeds from sale of capital assets	-	-	-	3,167
Principal paid on bonds, notes and capital lease	(198,167)	1,332,465	1,134,298	(221,441)
Interest and fiscal charges paid on bonds	(274,155)	(763,859)	(1,038,014)	(76,676)
Capital contributed by customers	203,000	-	203,000	-
Cash provided (used) by capital and related financing activities	<u>(860,740)</u>	<u>(331,701)</u>	<u>(1,192,441)</u>	<u>(311,456)</u>
INVESTING ACTIVITIES:				
Interest on investments	68,438	9,772	78,210	13,697
Cash provided by investing activities	<u>68,438</u>	<u>9,772</u>	<u>78,210</u>	<u>13,697</u>
Net increase in cash and cash equivalents	(673,974)	-	(673,974)	(89,494)
Cash and cash equivalents - beginning of year	4,144,846	100,000	4,244,846	1,052,122
Cash and cash equivalents - end of year	<u>\$ 3,470,872</u>	<u>\$ 100,000</u>	<u>\$ 3,570,872</u>	<u>\$ 962,628</u>
Reconciliation of operating income to cash provided by operating activities:				
Operating income	\$ (726,140)	\$ (2,679,877)	\$ (3,406,017)	\$ (128,378)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	731,811	589,493	1,321,304	397,570
Decrease in accounts receivable	36,006	44,374	80,380	-
(Increase) in inventory	-	-	-	2,075
(Increase) in prepaid costs	(3,541)	(1,540)	(5,081)	8,095
Increase (decrease) in accounts payable	17,843	(34,284)	(16,441)	(84,194)
Increase in checks issued against future deposits	-	2,176,900	2,176,900	-
(Decrease) in deferred revenue	32,483	9,519	42,002	-
Increase (decrease) in accrued compensation	3,866	4,344	8,210	33,186
Cash provided by operating activities	<u>\$ 92,328</u>	<u>\$ 108,929</u>	<u>\$ 201,257</u>	<u>\$ 228,354</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PORTAGE, MICHIGAN

Statement of Fiduciary Net Assets Fiduciary Funds

June 30, 2004

	Pension and Employee Benefit Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and investments	\$ 959,096	\$ 290,905
Investments in fixed income securities	3,694,167	-
Accounts receivable	-	233,604
Accrued interest receivable	-	145,910
Total assets	<u>4,653,263</u>	<u>670,419</u>
<u>LIABILITIES</u>		
Payroll withholdings payable	-	48,098
Accrued interest payable	-	145,910
Due to other governments	-	227,440
Deposits	-	248,971
Total liabilities	<u>-</u>	<u>670,419</u>
<u>NET ASSETS</u>		
Restricted for retiree benefits	<u>4,653,263</u>	<u>-</u>
Total net assets	<u>\$ 4,653,263</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statements.

CITY OF PORTAGE, MICHIGAN

Statement of Changes in Fiduciary Net Assets Pension Trust Funds

Fiscal Year Ended June 30, 2004

	Pension and Employee Benefit Trust Funds
ADDITIONS	
Employer contributions	<u>\$ 271,814</u>
Investment income	
Net increase (decrease) in the fair value of investments	(206,161)
Interest income	<u>204,371</u>
Net investment earnings	<u>(1,790)</u>
Total additions	270,024
DEDUCTIONS	
Benefits to plan members	(204,300)
Administrative expenses	<u>(6,981)</u>
Total deductions	<u>(211,281)</u>
Change in net assets	58,743
Net assets - beginning	<u>4,594,520</u>
Net assets - ending	<u><u>\$ 4,653,263</u></u>

The notes to the financial statements are an integral part of this statements.



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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Portage was incorporated December 31, 1963, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government, and provides services as authorized by its charter. The City Council is composed of a Mayor and six Councilmembers. The Mayor is elected for a two-year term, and the Councilmembers are elected at large for four-year staggered terms without term limits.

The City engages in a comprehensive range of municipal services including public safety, streets and highways, parks and facility management, and general administrative services. In addition, the City owns and contracts the operation of certain major enterprise activities including water and wastewater utilities. These activities are included in the accompanying financial activities.

The Charter of the City of Portage requires an annual audit by an independent certified public accountant. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

As a local government, the City is exempt from federal income taxes under Internal Revenue Code Sections 115 and 501(a), and from state sales tax.

A. Reporting Entity

As required by generally accepted accounting principles (GAAP), these financial statements present the City (the Primary Government) and its component units, entities for which the City is considered to be financially accountable. The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

Blended Component Units:

Building Authority - The Building Authority was established by the City on May 2, 1969 under the authority contained in Act 31, Michigan Public Acts of 1948, as amended in 1969 and 1984. The Act authorized the City to incorporate an authority for the purpose or purposes as follows: to build, acquire, furnish, equip, own, improve, enlarge, lease, operate, and maintain a building or buildings, automobile parking lots or structures, recreational facilities, stadiums and the necessary site or sites therefore, together with appurtenant properties and facilities necessary or convenient for the effective use thereof, for use for any legitimate public purpose of the City of Portage. The governing body of the Authority is known as the "Commission" and consists of the City Manager, City Finance Director and the Chairperson of the Board of the Local Development Finance Authority for the City of Portage.

Downtown Development Authority - The Downtown Development Authority was established by the City on April 21, 1998 under the authority contained in Act No. 197 of the Public Acts of Michigan of 1975 as amended. The act authorizes the City to provide for the creation of the authority; to define the boundaries of the downtown development district; to correct and prevent deterioration in the central business district; and to authorize the issuance of bonds and other evidences of indebtedness. The taxes collected on the increased taxable value resulting from Downtown Development Authority provided improvements are used to pay debt service. The Downtown Development Authority Board is comprised of the City Manager and eight citizen members appointed by the City Manager, subject to approval by the City Council.

Note 1 Summary of Significant Accounting Policies, continued

Local Development Finance Authority - The Authority was established by the City on March 20, 1990, under the authority contained in Act 281 of Michigan Public Acts of 1986. The Act authorized the City to designate a specific district within its corporate limits as a Local Development Finance District. The Authority was appointed to promote the growth of specific, legally defined districts and take all steps necessary to create jobs and promote economic growth. The City Manager appoints seven members of the Authority Board of Directors. The other four members of the board of directors are appointed by Kalamazoo County (1), Kalamazoo Valley Community College (1), and Portage Public Schools (2). Because the City Manager appoints the voting majority of the governing body and may therefore impose the City's will on the organization, because the City is financially responsible for the Authority, and because the Authority acts only to further the development aims of the consolidated plan of the City, it is presented as a blended component unit.

Discretely Presented Component Units:

Complete financial statements for the discretely presented component units can be obtained from the Department of Community Development, City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002.

Economic Development Corporation - The Corporation was established by the City on November 21, 1978, under the authority contained in Act 338, Michigan Public Acts of 1974. The purpose of the Corporation is to promote the economic development of the community. To achieve this purpose, the Corporation issues bonds to private business and industry to finance projects that reduce unemployment and otherwise strengthen and revitalize the local economy. The City Council of the City of Portage appoints the Economic Development Corporation Board of Directors. Because the City appoints the voting majority of the governing body and may therefore impose its will on the organization, it has been presented as component unit. It is not a blended component unit because the component unit's governing body is not substantially the same as the primary government.

Tax Increment Finance Authority - The Authority was established by the City on September 3, 1985, under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorized the City to designate a specific district within its corporate limits as a Tax Increment Finance Authority District. The Authority is appointed to preside over this specific district and it is authorized to formulate plans and secure financing for public improvements, economic development, neighborhood revitalization and historic preservation within this area. These plans must be set forth in a tax increment financing plan which must be approved by the governing body of the City. The City Council of the City of Portage also appoints the Tax Increment Finance Authority Board of Directors. Because the city appoints the voting majority of the governing body and may therefore impose its will on the organization, and because the City is financially responsible for the Tax Increment Financing Authority, it would be presented as a component unit. It is not a blended component unit because the component unit's governing body is not substantially the same as the primary government. However, since the Authority had no activity during the fiscal year, no data has been presented.

B. Basis of presentation – Government-wide Financial Statements

Government-wide and Fund Financial Statements - The basic financial statements include both government-wide and fund financial statements. The previous financial reporting model emphasized fund types, i.e., the total of all funds of a particular type, such as capital project funds. The new reporting model focus is on either the City as a whole or on major individual funds, as described by GASB 34.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Internal service fund asset and liability balances that are not eliminated in the statement of net assets are reported in the governmental activities column on the government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1 Summary of Significant Accounting Policies, continued

The statement of net assets includes governmental assets and liabilities previously reported in the general fixed asset account group and the general long term debt group, in addition to infrastructure assets.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or

privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

The fund level statements focus on the governmental proprietary and fiduciary funds. The accounts of the City are organized on the basis of funds. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major individual governmental funds and major individual enterprise funds are supported as separate columns in the fund financial statements.

The city's fiduciary funds, which have been redefined and narrowed in scope, are presented in the fund financial statements by type (pension, private purpose and agency). By definition, these assets are held for the benefit of a third party and cannot be used to address activities or obligations of the government, and are therefore not included in the government-wide statements. Because the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the flow of economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. Revenues, other than grants, are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (defined by the City as collected within 60 days of year-end). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed and when all eligibility requirements of the provider have been met and are considered to be available if expected to be collected within one year. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences or arbitrage are recorded when the liability is matured. Debt service expenditures are recognized when payment is matured. The reported fund balance of governmental funds is considered a measure of available spendable resources.

Property taxes, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund: The general fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It includes the following activities: public safety, streets and highways, parks and facility management, and general government.

Note 1 Summary of Significant Accounting Policies, continued

Special Assessment Fund: Although no longer required as an individual governmental fund-type after GASB Statement No. 6, *Accounting and Reporting for Special Assessments*, the City utilizes special assessments under its Charter to balance the cost of certain public improvements between private benefit and public burden, and chooses to emphasize the difference between special assessment debt and other debt issues by continuing to maintain this fund type. The public improvements subject to special assessment primarily benefit a particular property owner or group of property owners, ultimately increasing the fair market value of their property. The property owners pay the assessment over a 10-year term for street improvements, and over a 20-year term for water and sewer improvements, unless sooner paid. The activities performed by the City with regard to Special Assessments include organizing special assessment districts, overseeing the performance of the project itself, and accounting for and collecting the assessments to pay any debt incurred to finance the project.

Capital Improvement Program (CIP) Fund: The City assesses a dedicated tax millage to support a balanced capital investment program. The program constructs, improves and maintains the highest level of public infrastructure and community resources. The fund accounts for the collection of dedicated tax revenues, and for financing the construction of all City capital projects in excess of \$10,000. These projects include creation of or improvements to streets, parks, city buildings, and other city facilities not owned or used by the Water and Sewer utility enterprises.

Major Streets Fund: This fund accounts for the maintenance of major streets, as certified by the state highway commissioner, and trunklines within the City. Primary funding is from special revenues provisions of Act 51 of 1951, as amended, of the state of Michigan. This fund does not meet the criteria of a major fund as defined by GASB, but the state of Michigan requires that it be presented as a major fund.

Local Streets Fund: This fund accounts for the maintenance of all local streets, as certified by the state highway commissioner. It is funded by special revenues from provisions of Act 51 of 1951, as amended, of the state of Michigan. This fund does not meet the criteria of a major fund as defined by GASB, but the state of Michigan requires that it be presented as a major fund.

CDBG Program Income Revolving Fund: The CDBG Program Income Revolving Fund accounts for loans and repayments for housing rehabilitation funded through the Community Development Block Grant program. The repayments are available for additional rehabilitation projects.

Local Development Finance Authority Fund: The Local Development Finance Authority was created to serve the City by promoting the growth of specific districts, and taking steps necessary to create jobs and promote economic growth. The fund accounts for the financing of those initiatives.

Proprietary and fiduciary fund financial statements are accounted for on the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing water and wastewater services. Other revenues or expenses are non-operating items.

The City reports the following major enterprise funds, which are also considered proprietary funds:

Sewer Fund - Accounts for the activities of the City-owned wastewater utility.

Water Fund - Accounts for the activities of the City-owned water utility.

In addition, the City reports the following non-major governmental funds:

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, including grant funds. These include cultural activities, cable television, Community Development Block Grant (CDBG), West Lake weed management, curbside recycling, and the leaf pickup fund.

Debt Service Funds account for resources accumulated and payments made for general long-term debt.

Note 1 Summary of Significant Accounting Policies, continued

Permanent Funds account for resources that are legally restricted to the extent that restrictions apply as to whether only earnings and not principal may be used for the limited and specific purposes that support the City's programs. Permanent funds account for the cemetery perpetual fund.

The City reports the following proprietary and fiduciary funds:

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. The City has elected to follow GASB statements issued after November 30, 1989, rather than statements issued by the Financial Accounting Standards Board (FASB), in accordance with GASB Statement No. 20. The Sewer and Water funds are the City's only enterprise funds. The City reports no nonmajor enterprise funds.

Internal Service Funds account for the financing of goods or services provided by one City department or agency to other City departments or agencies or to other governmental units on a cost-reimbursement basis. These activities include, but are not limited to, fleet services. As a general rule, the effect of interfund activity has been eliminated for government-wide reporting purposes. These funds are presented on a combined basis in the Statement of Net Assets – Proprietary Funds in the Internal Service Funds column, and in detail in the Combining Statements of Net Assets – Internal Service Funds. These funds include the equipment and insurance funds.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments. Fiduciary funds are not included in the government-wide financial statements. The fiduciary funds of the City include the pension trust fund, and retiree health care fund. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds.

Agency funds account for net assets held on behalf of others, are purely custodial (assets equal liabilities) and do not involve the measurement of results of operations.

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) Prior to April 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The proposed operating budget includes proposed expenditures and the means of financing them, and is adopted at the "activity" level with the exception of the capital improvement fund, which is adopted at the "project" level.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) The budget is legally enacted through passage of an ordinance no later than the second Monday in June.

Annual budgets are legally adopted for the general fund, certain special revenue funds and debt service funds. Annual budgets are adopted for enterprise, internal service, cemetery perpetual fund, and CDBG program income revolving funds, although they are not legally required. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the project, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment.

Formal budgetary control is employed during the year at the fund and department level as a management control device for annually budgeted funds.

Budgets are modified throughout the year. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund to another, or that would cause a change in fund balance. The original and final budgets for the General Fund are reported in the Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual. Unencumbered appropriations for annual budgets lapse at fiscal year-end.

Note 1 Summary of Significant Accounting Policies, continued

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end in the General Fund. Appropriations which are encumbered at year-end are carried forward into the following year's appropriation to allow liquidation of the encumbrance.

E. Financial Statement Elements

Pooled Investments and Cash Deposit Balances - Cash balances of all City funds (except for certain funds shown in Note 3 as having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of high-grade commercial paper and U.S. agency obligations, are stated at fair value. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that incur a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments - Certain investments are required to be reported at fair value, based upon quoted market prices. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments at fair value as of June 30, 2004.

Accounts Receivable - Balances of accounts receivable, reported on the government-wide statement of net assets, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of June 30, 2004:

	<u>Charges for Services</u>	<u>Special Assessments</u>	<u>Other Governments</u>	<u>Total</u>
Governmental Activities				
General Fund	\$ 1,427,314	\$ 5,068,033	\$ 1,555,372	\$ 8,050,719
Non-major government funds	-	-	101,687	101,687
Internal service funds	-	-	-	-
Total	<u>\$ 1,427,314</u>	<u>\$ 5,068,033</u>	<u>\$ 1,657,059</u>	<u>\$ 8,152,406</u>

There is no provision for an allowance for doubtful accounts because Kalamazoo County guarantees payment of property taxes, and the Ordinances of the City provide for the creation of durable tax liens for all taxes, assessments and charges putting the City in the position of eventual 100% collection.

Business-type activities are primarily comprised of charges for services.

Elimination of Internal Activities - The elimination of internal service fund activity is needed in order to eliminate duplicate activity in making the transition from fund level financial statements to the government-wide financial statements. In addition, the elimination of internal service fund activity requires the city to "look back" and adjust the internal service funds' internal charges. A positive change in net assets derived from internal service fund activity results in a pro rata reduction in the charges made to the participatory funds. A deficit change in net assets of internal service funds requires a pro rata increase in the amounts charged to the participatory funds.

Internal Balances - In the government-wide statement of net assets, internal balances are the receivables and payables between the governmental and business-type activities. There were no internal balances as of June 30, 2004.

Note 1 Summary of Significant Accounting Policies, continued

Interfund Activities - In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the charge back of services, such as utilities or vehicle maintenance, and charges for central administrative costs. Elimination of these charges would distort the direct costs and program revenues of the various functions reported. The City recovers indirect costs that are incurred through a plan of allocation utilizing actual costs. These amounts are eliminated in the government wide statement of activities.

Interfund Receivables/Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivable and payable balances are classified as "due from other funds" or "due to other funds" on the fund-level statements when they are expected to be liquidated within one year. If receivable or payable balances are expected to be liquidated after one year, they are classified as "advances to other funds" or "advances from other funds." No interfund receivables existed as of June 30, 2004.

Inventories - Inventories are valued at the lower of cost (first-in - first-out) or market. Inventories for all funds use the consumption method and expenditures are recorded when issued. The enterprise funds hold the only inventory maintained by the City.

Prepaid expenses and other assets - The governmental activities statement of net assets includes prepaid expenses and other assets. Fund balance is reserved for prepaid expenses; fund balance is not reserved for other assets.

Restricted assets - Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

The balance of restricted asset accounts in the enterprise funds are as follows:

	<u>Business-Type Activities</u>		Total Restricted Assets
	Sewer	Water	
Revenue bond indentures	\$ 100,000	\$ 100,000	\$ 200,000
Rate stabilization fund	<u>500,000</u>	<u>0</u>	<u>500,000</u>
	<u>\$ 600,000</u>	<u>\$ 100,000</u>	<u>\$ 700,000</u>

Capital assets - Capital assets, which include land, facilities and improvements, machinery and equipment and infrastructure assets, are reported in the applicable governmental or business-type activity columns of the government-wide statement of net assets, and related depreciation is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life of greater than one year. Assets purchased or constructed are capitalized at historical cost. Contributed capital assets are recorded at estimated fair market value at the time of receipt, or at historical cost if historical cost is available. Capital outlay (asset purchases that do not meet the definition of a capital asset) is recorded as an expenditure in the general fund and other governmental funds, and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred, and improvements and betterments that extend the useful lives of capital assets are capitalized.

The City obtains public domain capital assets (infrastructure) through capital improvement project (CIP) construction, or through annexation or developer contribution. Infrastructure consists of certain improvements other than buildings, including streets and roads, bridges, pedestrian facilities, drainage systems and traffic signal systems.

Interest is not capitalized on governmental capital assets. For enterprise funds, interest paid on long-term debt in the enterprise funds is capitalized when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by bond proceeds issued to fund the project.

Note 1 Summary of Significant Accounting Policies, continued

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

Assets	Governmental Activities ⁽¹⁾	Business-Type Activities	
		Sewer	Water
Buildings	40	40	40
Equipment	5	5	5
Vehicles	5	5	5
Improvements to grounds	20	20	20
Water and wastewater systems	-	100	100
Infrastructure			
Streets and roads	20	-	-
Retaining walls	30	-	-
Bridges	50	-	-
Drainage systems	50	-	-
Pedestrian facilities	20	-	-
Traffic signals	20	-	-
⁽¹⁾ Includes internal service funds			

Depreciation of assets is classified by functional components. The City considers land to be inexhaustible; and therefore, these assets are reported as non-depreciable. Unallocated depreciation reported in the government-wide statement of activities consists of depreciation of infrastructure assets (\$7,007,459).

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Deferred Charges or Credits - Deferred charges represent expenditure for expense prepayments that are distinguished from prepaid expenses on the basis of the time over which they will be recognized as period expenses. That is, they involve a longer period of time than prepaid expenses do. Deferred credits represent revenue received at fiscal year-end prior to the earning process being complete.

Long Term Debt - The debt service for general obligation bonds and other general obligation debt, including loans, issued to fund general government capital projects is paid from tax revenues, interfund transfers and intergovernmental revenues. Such general obligation debt is reported in the government-wide statements under governmental activities.

The debt service for general obligation bonds and other general obligation debt issued to fund proprietary fund capital projects is normally paid from the net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principals and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds that have been issued to finance capital projects of certain enterprise funds are to be repaid from net revenues of these funds. Such debt is recorded in the funds. Operating revenues and interest income that are used as security for revenue bonds are reported separately from other revenues.

The City defers and amortizes gains or losses realized by proprietary funds on refundings of debt and for governmental activities in the government-wide financial statements, and reports both the new debt liability and the related deferred amount on the funds' balance sheets. The City recognizes gains or losses on debt defeasance when funds from current operations are used.

Operating Revenues - Revenues are recorded net of allowances in the government-wide and proprietary fund-level statements. No allowances were necessary for the year ended June 30, 2004.

Note 1 Summary of Significant Accounting Policies, continued

Interfund Revenues, Expenses and Transfers - Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved, such as billing for utility services. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the fund that is reimbursed. Transfers between funds are reported in the operations of governmental and proprietary funds.

Intergovernmental Revenue, Receivables and Liabilities - Intergovernmental revenues and related receivables arise primarily through funding received from federal grants and state grants. These revenues and receivables are earned through expenditure of money for grant purposes, or through consolidating settlements while acting as tax collection agency for other local government units. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local government units.

Federal and State Grants, Entitlements and Shared Revenues - Grants, entitlements, and shared revenues may be accounted for within any City fund. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the appropriate fund statement and revenue category in which to report the related transactions. Grants, entitlements and shared revenues received for activities normally recorded in a particular fund may be accounted for in that fund, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally recorded in other governmental funds are accounted for within the nonmajor governmental fund groupings: federal grant funds, state grant funds, and other special revenue funds. Capital grants restricted for capital acquisition or construction, other than those associated with proprietary type funds, are accounted for in the applicable capital projects funds. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenditures at the discretion of the City are recognized in the applicable proprietary fund.

Restricted Resources - When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Reservations of Fund Equity - Reservation of fund balances of the governmental funds indicate that portion of fund equity which is not available for appropriation for expenditure or is legally restricted by outside parties for use for a specific purpose. Designations of fund balance are the representations of management for the utilization of resources in future periods. Reserves for police safety training are legally restricted to those purposes by the grantor.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the city considers cash and cash equivalents to consist of currency on hand, cash held by trustee, demand deposits with banks, and all amounts included in pooled investments and cash accounts.

Pension Costs - It is the policy of the City to fund pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (see defined benefit pension plan information in Note 11, and defined contribution pension plan information in Note 12).

Risk Management - The City is exposed to employee-related risks for workers' compensation, as well as to various risks of loss related to torts, including medical malpractice; theft of, damage to, or destruction of assets, errors and omissions, and natural disasters. The City continues to be self-insured for liabilities for workers' compensation claims with stop-loss provisions in place (Note 10.b.).

The City participates in a risk pool administered by the Michigan Municipal Risk Management Association for coverage to insure against property loss or damage, commercial crime, and fidelity bonds. The City complies with GASB Statement No. 10, *Accounting and reporting for Risk Financing and Related Insurance Issues* (See Note 10.b.).

Note 1 Summary of Significant Accounting Policies, concluded

F. Comparative Data

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A). They may also present comparative data on the government-wide statement of activities. Comparative data is now presented as part of the government-wide statements and the MD&A.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United State of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

H. Compensated Absences

City employees are granted compensated absences for vacation and sick leave in varying amounts based on length of service. It is the City's policy to permit employees to accumulate a limited amount of earned but unused annual and sick leave benefits, which will be utilized in future periods or will be paid to employees upon separation from City service. The estimated long-term liability for vacation and sick pay which will be paid with future Governmental-type resources is recorded as general long term debt. The total estimated long-term cost of employees' accumulated vacation and sick leave was approximately \$1,764,213 at June 30, 2004.

I. Post-Retirement Benefits

In addition to the pension benefits described in Notes 11, 12, and 13 the City provides post-retirement health care benefits under the varying terms of a number of separate union contracts, and under the employee benefit program of the City as it has existed over the years when the entitlement occurred. Currently 19 retirees meet the applicable eligibility requirements. Expenditures for post-retirement health care benefits are recognized on a pay-as-you-go basis as the premiums for coverage are paid. During the year ended June 30, 2004, expenditures of approximately \$99,000 were recognized for post-retirement health insurance premiums. Contractual payments were made directly to certain unions that negotiated to assume full responsibility for future health care benefit obligations of their members. Annual increases in premium rates for this benefit sector in the several plans the City is obligated to provide have ranged from 6% to 29% over the past several years.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Schedules that show the adjustments required to take the figures in the government-wide statements to those in the governmental fund statement presentation immediately follow those statements.

3. POOLED INVESTMENTS AND CASH

The following summarizes the amounts of the pooled investments and cash by fund at June 30, 2004:

	<u>Pooled Investments and Cash</u>	
	<u>Unrestricted</u>	<u>Restricted</u>
General fund	\$ 3,024,896	-0-
Special assessments fund	3,129,895	-0-
Capital improvement fund	3,534,160	-0-
Local Streets fund	201,497	-0-
CDBG Program Income Revolving fund	6,963	-0-
Local Development Finance Authority fund	2,988,470	-0-
Non-major governmental funds	1,192,215	-0-
Sewer fund	2,870,872	600,000
Water fund	-0-	100,000
Subtotal pooled investments and cash	<u>16,948,968</u>	<u>700,000</u>
Total pooled investment and cash	<u>\$ 17,648,968</u>	

Component Unit cash as of June 30, 2004, totaled \$17,767.

4. DEPOSITS AND INVESTMENTS

The City maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. A "zero balance account" mechanism provides for overnight sweeps of deposits made to the City depository account, and the outstanding balance in the accounts payable checking account, resulting in an instantaneous transfer to the investment account. Thus, the majority of funds in the City's operating accounts are invested at all times.

A. Investments

The City's deposits and investments are invested pursuant to the City of Portage investment policy. The objective of the policy is, in order of priority, preservation of capital, liquidity and yield. The policy addresses the soundness of financial institutions in which the City will deposit funds, diversification of the portfolio composition, and the permitted types of investment instruments. The terms of policy are informed by the provisions of Chapter 129, Public Funds, of the Michigan Compiled Laws and permit investment in:

1. Certificates of deposit issued by banks located in Michigan;
2. U.S. Treasury and agency obligations;
3. Commercial paper at the two highest rating levels;
4. Domestic bankers acceptances
5. U.S. Treasury or agency backed repurchase agreements, and
6. PA 20 qualified local government investment trusts and mutual funds

The City participates in one local government investment trust managed by MBIA, Municipal Investors Service Corporation. The fair value of the City's position in this pool is equivalent to the carrying value, and, as such, is included in the cash and pooled funds category.

Pension trust fund investments, a fiduciary fund not included in the government-wide statements, must conform to the limits and standards set forth in Michigan Public Act 55 of the Public Acts of 1982, as amended, and Public Act 252 of 1988. Its' corpus is held by, and its' assets are managed by Principal Financial Group, Inc.

The City's investments (with exceptions noted) are categorized below to give an indication of the level of custodial risk assumed by the City at year-end.

- Category 1 investments are insured or registered, or the City's agent holds the securities in the City's name.
- Category 2 investments are uninsured and unregistered investments and the securities are held by the counter-party's trust department or agent in the City's name.
- Category 3 investments are uninsured and unregistered investments and the securities are held by the counter-party's trust department or agent, but not in the City's name.

<u>Investments</u>	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Fair Value</u>
Obligations of the U.S. Government and its Agencies	\$ 5,739,388	\$ -0-	\$ -0-	\$ 5,739,388
Commercial Paper	<u>4,450,015</u>	<u>-0-</u>	<u>-0-</u>	<u>4,450,015</u>
Total Investments	10,189,403	-0-	-0-	10,189,403
Pension Trust Funds	\$ 3,694,167	\$ -0-	\$ -0-	\$ 3,694,167

Cash and investments at June 30, 2004, are as follows:

Investments and deposits	Governmental activities	Business-type activities	Fiduciary funds	Component unit	Total
Non-pooled	\$ -0-	\$ -0-	\$ 3,694,167	\$ 17,767	\$ 3,711,934
Pooled	<u>14,949,070</u>	<u>700,000</u>	<u>1,250,001</u>	<u>-0-</u>	<u>16,899,071</u>
Total investments and deposits	\$ 14,949,070	\$ 700,000	\$ 4,944,168	\$ 17,767	\$ 20,611,005
Unrestricted deposits	\$ -0-	\$ -0-	\$ -0-	\$ 17,767	\$ 17,767
Restricted deposits	-0-	700,000	3,694,167	-0-	4,394,167
Pooled Investments	<u>14,949,070</u>	<u>-0-</u>	<u>1,250,001</u>	<u>-0-</u>	<u>16,199,071</u>
Total	\$14,949,070	\$ 700,000	\$4,944,168	\$17,767	\$20,611,005

B. Deposits

Primary Government

At year end, the uninvested carrying amount of the City deposits was \$50,000, the total book balance in the operating and overnight governmental cash investment fund was \$6,122,732 and the bank account balance was \$6,719,233. Compensating balances of \$25,000 are held in the depository account and the accounts payable checking account, making the overnight sum held by the bank \$50,000. The \$50,000 is within the \$150,000 coverage limit for FDIC insurance. The overnight sweep is invested in a governmental cash investment fund that meets the criteria for local government investment pools outlined in Public Act 367. Funds deposited in accordance with the requirements of Public Act 367 of 1982 are considered fully secured and thus are not categorized.

Component Units

The carrying value of deposits for the Economic Development Corporation was \$17,767. The Tax Increment Financing Authority is presently inactive, and has zero deposit balances.

5. PROPERTY TAXES

Property taxes are levied and attach as an enforceable lien on property as of August 1, and are due on September 14 of each year. Real property taxes remaining unpaid on the following March 1 are turned over to the County Treasurer for collection and the City is paid in full for the taxes by the County. Therefore, amounts recorded as delinquent tax payments receivable represent only unpaid personal property taxes.

The City bills and collects its own property taxes and also collects taxes for the state education fund, district library, Kalamazoo county, community college, regional programs, and the school districts contained within the City corporate limits. Collection and remittance of the state education fund, district library, Kalamazoo county, community college, regional programs, and the school districts taxes are accounted for in the current year tax collection and in the trust and agency Funds. City property tax revenues are recognized when levied to the extent that they result in current receivables.

6. CAPITAL ASSETS AND INFRASTRUCTURE

Capital assets activity for the year ended June 30, 2004 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 6,210,503	\$ 209,474	\$ -	\$ 6,419,977
Rights-of-way	4,379,048	-	-	4,379,048
Total capital assets, not being depreciated	10,589,551	209,474	-	10,799,025
Capital assets, being depreciated				
Land improvements	5,265,809	379,511	-	5,645,320
Buildings	10,682,163	694,689	-	11,376,852
Machinery and equipment	5,486,591	154,267	(133,260)	5,507,598
Vehicles	7,216,561	514,668	(502,572)	7,228,657
Infrastructure	167,210,078	3,616,383	-	170,826,461
Total capital assets, being depreciated	195,861,202	5,359,518	(635,832)	200,584,888

Notes to Financial Statements
June 30, 2004

City of Portage, Michigan
(Continued)

Less accumulated depreciation for:

Land Improvements	(2,136,449)	(273,204)	-	(2,409,653)
Buildings	(3,268,647)	(287,634)	-	(3,556,281)
Machinery and equipment	(3,702,522)	(563,366)	(28,106)	(4,293,994)
Vehicles	(4,852,638)	(684,126)	478,089	(5,058,675)
Infrastructure	(84,767,434)	(7,007,459)	-	(91,774,893)

Total accumulated depreciation	(98,727,690)	(8,815,789)	449,983	(107,093,496)
Total capital assets, being depreciated, net	97,133,512	(3,456,271)	(185,849)	93,491,392
Governmental activities capital assets, net	<u>\$107,723,063</u>	<u>\$ (3,246,797)</u>	<u>\$ (185,849)</u>	<u>\$ 104,290,417</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 217,945	\$ -	\$ -	\$ 217,945
Construction in progress	4,702,656	-	(4,702,656)	-
Total capital assets, not being depreciated	4,920,601	-	(4,702,656)	217,945

Capital assets, being depreciated				
Land Improvements	90,517	-	-	90,517
Buildings	1,089,501	-	-	1,089,501
Machinery and equipment	1,158,738	-	-	1,158,738
Water and sewer system	105,913,540	6,194,381	-	112,107,921
Total capital assets, being depreciated	108,252,296	6,194,381	-	114,446,677

Less accumulated depreciation for:

Land improvements	(25,341)	(6,925)	-	(32,266)
Buildings	(520,627)	(34,909)	-	(555,536)
Machinery and equipment	(778,419)	(61,060)	-	(839,479)
Water and sewer system	(21,397,804)	(1,218,410)	-	(22,616,214)

Total accumulated depreciation	(22,722,191)	(1,321,304)	-	(24,043,495)
Total capital assets, being depreciated, net	85,530,105	4,873,077	-	90,403,182
Business-type activities capital assets, net	<u>\$ 90,450,706</u>	<u>\$ 4,873,077</u>	<u>\$ (4,702,656)</u>	<u>\$ 90,621,127</u>

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	\$ 270,749
Public safety	649,289
Streets and highways	28,467
Health & welfare	15,929
Parks/facility mgmt.	393,913
Unallocated depreciation	7,007,459
Total depreciation expense – governmental activities	<u>\$ 8,365,806</u>

Business-type activities:	
Sewer	\$ 731,811
Water	589,493
Total depreciation expense – business-type activities	<u>\$ 1,321,304</u>

The component units have no capital assets.

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at June 30, 2004 totaled \$0.00.

Transfers between funds for the year ended June 30, 2004, were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Activities:		
General fund	\$ 690,576	\$ 335,394
Special assessment	60,766	-
Capital improvement	4,471,972	1,720,331
Major streets	868,500	67,788
Local streets	18,500	812,788
Curbside recycling	6,000	-
Leaf pickup	118,114	-
Trust and Permanent	10,392	-
Cable TV	200,000	10,000
Internal Service	20,089	-
Debt service	-	3,076,608
Business-type activities	38,000	480,000
Total Transfers	<u>\$ 6,502,909</u>	<u>\$ 6,502,909</u>

8. DEBT AND NON-DEBT LIABILITIES

Debt Issues:

General Obligation bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	2.00%-7.03%	\$ 2,665,581
Business-type activities	2.00%-7.03%	5,299,419
		<u>\$ 7,965,000</u>

Annual debt service requirements to maturity for general obligation bonds:

<u>Year ending</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 276,297	\$ 101,023	\$ 573,703	\$224,906
2006	343,731	88,199	486,269	204,131
2007	381,397	74,045	463,603	184,158
2008	296,568	60,073	468,432	164,359
2009	263,978	48,676	466,022	143,796
2010-2014	753,363	137,832	1,716,637	456,743
2015-2019	241,775	53,986	798,225	166,496
2020-2024	108,472	4,747	326,528	32,208

Capital Improvement Project bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	2.00%-4.60%	\$ 10,985,000

Annual debt service requirements to maturity for Capital Improvement Project bonds:

<u>Year ending</u>	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 755,000	\$ 369,338
2006	755,000	354,238
2007	785,000	334,588
2008	720,000	314,288
2009	720,000	294,463
2010-2014	3,640,000	1,119,925
2015-2019	2,755,000	482,223
2020-2024	855,000	117,685

Building Authority bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	3.40%-6.00%	\$ 14,745,000

Annual debt service requirements to maturity for Building Authority bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 670,000	\$ 708,239
2006	695,000	677,588
2007	770,000	644,513
2008	810,000	608,093
2009	860,000	568,563
2010-2014	4,875,000	2,162,578
2015-2019	4,320,000	935,850
2020-2024	1,745,000	142,969

Downtown Development Authority bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	4.00%-5.25%	\$ 5,865,000

Annual debt service requirements to maturity for Downtown Development Authority bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 25,000	\$ 279,862
2006	35,000	268,453
2007	100,000	266,728
2008	120,000	262,768
2009	125,000	258,286
2010-2014	935,000	1,198,049
2015-2019	1,785,000	911,134
2020-2024	2,025,000	403,413
2025-2029	715,000	74,981

Local Development Finance Authority bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	5.80%-6.50%	\$ 3,390,000

Annual debt service requirements to maturity for Local Development Finance Authority bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	240,000	122,038
2006	-	196,350
2007	-	196,350
2008	40,000	196,350
2009	40,000	193,910
2010-2014	220,000	932,340
2015-2019	650,000	823,150
2020-2024	1,000,000	568,200
2025-2029	1,000,000	254,000
2030	200,000	12,700

Motor Vehicle Highway bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Governmental activities	3.50%-6.50%	\$ 14,230,000

Annual debt service requirements to maturity for Motor Vehicle Highway bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 700,000	\$ 672,021
2006	750,000	640,078
2007	855,000	605,965
2008	835,000	568,626
2009	865,000	530,502
2010-2014	4,515,000	2,032,129
2015-2019	4,535,000	863,945
2020-2024	1,175,000	77,600

Special Assessment debt with government commitment

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Water main, sewer main, road improvements	2.00%-9.40%	\$ 8,314,000

Annual debt service requirements to maturity for special assessment bonds:

Year ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 910,000	\$ 319,642
2006	859,000	283,993
2007	840,000	250,306
2008	810,000	217,628
2009	700,000	188,446
2010-2014	2,675,000	574,757
2015-2019	1,045,000	215,727
2020-2024	475,000	35,353

Revenue bonds

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Water main and sewer main construction	2.00%-7.00%	\$19,525,000

Annual debt service requirements to maturity for revenue bonds:

Year ending	<u>Business-type Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 900,000	\$ 923,555
2006	1,050,000	867,272
2007	1,075,000	818,193
2008	1,125,000	766,883
2009	1,150,000	713,093
2010-2014	5,735,000	2,696,203
2015-2019	4,850,000	1,393,590
2020-2024	3,455,000	395,263
2025-2029	185,000	4,394

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Beginning Balance ⁽¹⁾	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 2,919,513	\$ 672,000	\$ (311,298)	\$ 3,280,215	\$ 363,731
Special Assessment debt					
With government					
Commitment	8,394,000	875,000	(955,000)	8,314,000	910,000
Building Authority bonds	15,380,000	-	(635,000)	14,745,000	670,000
Motor Vehicle Highway bonds	14,900,000	-	(670,000)	14,230,000	700,000
Downtown Development					
Authority bonds	3,100,000	2,765,000	-	5,865,000	25,000
Local Development Finance					
Authority bonds	510,000	3,150,000	(270,000)	3,390,000	240,000
CIP Bonds	5,480,000	5,780,000	(275,000)	10,985,000	755,000
Total bonds payable	<u>50,683,513</u>	<u>13,242,000</u>	<u>(3,116,298)</u>	<u>60,809,215</u>	<u>3,663,731</u>
Land Contracts	48,000	-	(48,000)	-	-
Compensated absences	1,663,716	951,166	(850,366)	1,764,516	850,366
Retiree health care and pension	614,842	134,882	-	749,724	-
Governmental activity					
Long term liabilities	<u>\$ 53,010,071</u>	<u>\$ 14,328,048</u>	<u>\$ (4,014,664)</u>	<u>\$ 63,323,455</u>	<u>\$ 4,514,097</u>

⁽¹⁾ Beginning balance restated – Note 15 (b)

Business-type activities

Bonds payable:					
General obligation bonds	\$ 5,055,487	\$ 203,000	\$ (573,702)	\$ 4,684,785	\$ 486,269
Utility revenue bonds	17,770,000	2,460,000	(705,000)	19,525,000	900,000
Total bonds payable	<u>22,825,487</u>	<u>2,663,000</u>	<u>(1,278,702)</u>	<u>24,209,785</u>	<u>1,386,269</u>
Capital leases	250,000	-	(250,000)	-	-
Compensated absences	58,070	25,333	(23,391)	60,012	23,391
Business-type activity					
Long term liabilities	<u>\$ 23,133,557</u>	<u>\$ 2,688,333</u>	<u>\$ (1,552,093)</u>	<u>\$ 24,269,797</u>	<u>\$ 1,409,660</u>

9. LITIGATION

As with any municipality, claims may from time to time be asserted which allege liability on the part of the City connected with a number of different matters involving general liability. The City is involved in a number of legal proceedings; while any litigation or investigation has an element of uncertainty, the City believes the uninsured portion of any lawsuit, or claim which is pending or threatened, or all of them combined, will not have a materially adverse effect on its financial condition or operations.

On May 6, 1998, the city reached a settlement agreement with the City of Kalamazoo for litigation begun in 1995. The litigation alleged overcharging by the City of Kalamazoo for wastewater rates over an extended period of time. The settlement agreement called for a credit of \$1,000,000 to the City of Portage that will be recognized over a 20-year period. The City of Kalamazoo will account for this credit as a contribution in aid of construction (of the wastewater system) on behalf of the City of Portage. The City of Portage will record this credit as a reduction of expenses in the Sewer Fund for the appropriate amount annually over the life of the settlement period. The settlement agreement was adopted by the appropriate judicial agencies.

10. COMMITMENTS AND CONTINGENCIES

A. Capital Improvement Plan

As the City has a ten year *Capital Improvement Program* (CIP capital budget) that is an anticipated spending plan for the projects in the upcoming and future years. The City's 2003/2004 Capital Budget included new appropriations of \$23,415,000, including \$8,906,000 for the City's enterprise funds and \$14,509,000 for general government projects. The City has substantial contractual commitments relating to its capital improvement program, as follows:

CIP project:	<u>Spent to date</u>	<u>Remaining commitment</u>
Water system expansion (Enterprise fund)	\$1,728,563	\$4,799,179
Sewer main additions (Enterprise fund)	138,107	817,893
Street additions and improvements	2,904,657	3,291,343
Sidewalk and bikeway improvements	127,339	364,661
Public safety improvements - Police	625,379	1,598,621
Public safety improvements – Fire	691,561	627,189
Parks improvements	188,746	36,254
Public facility improvements	<u>187,385</u>	<u>165,515</u>
	\$6,591,737	\$11,700,655

B. Risk-Related Contingencies

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

Fund Name	Description
Liability Reserve	This reserve is held by Michigan Municipal Risk Management Association under the terms of their coverage for losses and claims related to liability for bodily injury, property damage, professional liability and certain employment liability. Excludes losses and claims related to health benefits or workers' compensation. After deductibles, experience rates dictate the reserve funding balance.
Workers' Compensation	Self-Insured. Costs are charged to other City funds each year based on historical cost. Stop-loss protection for individual incident claims paid in excess of \$350,000 is provided by Employers Reinsurance Corporation.

The City purchases coverage for loss or damage to real property, theft and other criminal acts, and third-party liability associated with utility operations through participation in a municipal risk pool, MMRMA. The MMRMA stop loss program consists of an annually established dollar level of reserve out of which claims are paid. When payments exceed the reserve, MMRMA satisfies the claims. The level of stop loss reserve held by MMRMA as of June 30, 2004, was \$97,992. Due to the tragic events of September 11, 2001, insurance costs across the board have seen significant increases, and so increases have been necessary in deductibles and self-insured retention amounts.

Contingency liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

11. PENSION PLANS

The City continues to fund annuity contracts under a defined benefit pension plan covering certain employees of the City of Portage. These contracts cover certain full-time employees who were first hired prior to the years 1985 through 1989 (depending on their various employee groups), and who individually elected to remain participants in the defined benefit plan upon the City's adoption of defined contribution plans. (See Note 12.) The annuity contracts are administered by the Principal Financial Group, and are held and invested separately from all other City funds. The plan is a single-employer plan.

Plan Description. The plan is a single-employer public employee defined benefit pension plan established and administered by the City of Portage. The plan covers certain department heads and non-union employees who opted not to join a defined contribution plan, plus radio operators. Participants include several terminated vested persons from other employee groups. The Plan provides retirement and death benefits to plan members and beneficiaries. The authority to establish and amend the benefit provisions rests with the City Council, under City Charter Section 6.17. The plan is considered part of the City of Portage's financial reporting entity, and is disclosed as a pension trust fiduciary fund in the City's financial reports. A financial statement may be obtained by writing to City of Portage, Finance Department, 7900 South Westnedge Avenue, Portage, Michigan 49002 or by calling (269) 329 - 4456.

Funding Policy. There are no required contributions by plan members or the City. The contribution requirements of plan members and the employer are established and may be amended by City Council. Recommended contributions are actuarially determined. Administrative costs are funded through investment earnings.

Annual Pension Cost and Net Pension Obligation.

	<u>June 30, 2004</u>
Annual recommended contribution	\$ -0-
Interest on net pension obligation	-0-
Annual pension cost	-0-
Contribution made	-0-
Increase (decrease) in net pension obligation	-0-
Net pension obligation, beginning of year	-0-
Net pension obligation, end of year	-0-

The annual required contribution was determined as part of the July 1, 2004, actuarial valuation using the entry age, normal cost method with normal cost calculated on an aggregate basis. The actuarial assumptions include (a) an 8% investment rate of return, and (b) projected salary increases of 4% per year, compounded annually, attributable to inflation. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value over a four-year period.

Summary of Significant Accounting Policies:

Basis of Accounting. The defined benefit plan is maintained as a pension trust fiduciary fund and is included as part of the City's reporting entity. The financial statements of the fund are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments. Plan investments are reported at fair value. Investment value is determined according to the contract lump sum transfer provision ignoring any contract restrictions on such transfer. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national, or international, exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest, and are discounted at the prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
06/30/00	\$ 54,632	100%	\$ 37,590
06/30/01	\$ 78,789	100%	\$ 37,590
06/30/02	\$ 75,228	100%	\$ 37,590
06/30/03	\$ 0	100%	\$ 0
06/30/04	\$ 0	100%	\$ 0

12. DEFINED CONTRIBUTION PLANS

The City has established a number of defined contribution plans that supersede the defined benefit plan. Employees at the time had the choice of transferring to the defined contribution plans. Each employee group has its own separate plan. The non-union and department head plans are administered by the City through trust agreements with the International City Managers Association Retirement Corporation (ICMA). The union plans are administered by the respective unions through trust agreements with PPS&V Asset Management Consultants, Inc. Selected employees in the Police Command and Street Foreman union groups are allowed to self-direct his or her investments, however, this does not change the responsibilities of the plan administrator. Financial statements for each plan can be obtained from the Finance Director, City of Portage, 7900 South Westnedge Avenue, Portage, Michigan 49002.

Plan Description. The plans cover all full-time employees, except those still enrolled in the defined benefit plan. Plan members are not required to contribute. Plan provision and contribution requirements are established and may be amended by the City Council, under City Charter Section 6.17. The City is required to contribute either specific dollar amounts or specific percentages of full-time salary costs, depending on the employee group. During the fiscal year ended June 30, 2004, the City contributed \$1,779,577 to the various plans, representing an aggregate of approximately 16.60 percent of covered payroll. No contributions were made to the plans by their participants.

13. DEFERRED COMPENSATION PLAN

The City provides an approved deferred compensation plan, under Section 457 of the Internal Revenue Code, which is administered by the ICMA Retirement Corporation. All City employees are eligible to participate. The Internal Revenue Code requires that the plan assets and income attributed to those assets be held in trust for the exclusive benefit of the participants and/or beneficiaries. All amounts of employees' compensation deferred under the plan are deposited with the plan trustee, ICMA Retirement Corporation, for management and investment. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distributions to participants in accordance with the plan document.

14. EXPENDITURES IN EXCESS OF APPROPRIATIONS

No fund, or general fund department, spent in excess of appropriations for the year ended June 30, 2004.

15. PRIOR PERIOD ADJUSTMENTS

Government-wide Statement of Activities

Net assets at June 30, 2003	\$67,924,965
(a) transfer liability from closed fund	(10,029)
(b) assets blended from LDFA	601,466
(c) LDFA long-term debt blended	(510,000)
Net assets at July 1, 2003	<u>\$68,006,402</u>

- (a) The Communication Services (internal service) fund existed to serve the copying, mailing, and graphic design needs of the various city departments. A review of the activity revealed that the services coordinated by the fund were being charged directly to the appropriate department, and that more efficient cost management could be accomplished by giving the activity the status of a general fund administrative division with cost control managed at the department level. Based on the analysis, the Communication Services fund became a division of the Management Information Services department as of July 1, 2003, and the fund's net assets were transferred to the general fund. The prior period adjustment represents the residual balance of accrued compensated employee absences from the Communication Services fund.
- (b) Analysis of the nature of the functions of the Local Development Finance Authority (LDFA) suggested that the fund is more properly classified as a blended, and not a discretely presented component unit. As a result, the prior year's ending fund balance was added to the beginning fund balance for government-wide activities. Additionally, the prior year's ending debt balance of \$510,000 was included in the beginning balance of long-term liabilities, Note 8.

Defined Benefit Retirement Plan

Schedule of Funding Progress

The amount shown below as actuarial accrued liability is computed using the Projected Unit Credit method of funding. The five most recent years of funding progress are as follows:

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Funded Ratio (a) / (b)	Excess of Assets Over AAL (d) (a) – (b)	Annual Covered Payroll (e)	Excess as a Percentage of Covered Payroll (d) / (e)
2000	2,409,350	2,816,337	85.55%	(406,987)	531,674	(76.55)%
2001	2,623,874	2,882,224	91.04%	(258,350)	525,911	(49.12)%
2002	2,568,573	2,718,333	94.49%	(149,760)	229,028	(65.39)%
2003	3,925,409	2,475,707	158.56%	1,449,702	236,382	613.29%
2004	3,694,167	2,571,035	143.68%	1,123,132	174,809	642.49%

Analysis of dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of a plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

Schedule of Employer Contributions

June 30,	Contributions	Contributed	Obligation
2000	54,632	100%	37,590
2001	78,759	100%	37,590
2002	75,228	100%	37,590
2003	0	100%	0
2004	0	100%	0



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NONMAJOR GOVERNMENTAL FUNDS



CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2004

	Special Revenue Funds	Debt Service Funds	Cemetery Perpetual Care Permanent Fund	Total
ASSETS				
Cash and investments	\$ 385,623	\$ 181,850	\$ 624,742	\$ 1,192,215
Accounts receivable	136,237	-	-	136,237
Due from other governments	69,152	3,935	-	73,087
Prepaid costs	9,295	-	-	9,295
Total assets	<u>600,307</u>	<u>185,785</u>	<u>624,742</u>	<u>1,410,834</u>
LIABILITIES				
Accounts payable	8,492	-	-	8,492
Checks issued against future deposits	44,669	-	-	44,669
Accrued compensation	10,298	-	-	10,298
Interest payable	-	5,287	-	5,287
Deferred revenue	17,033	-	-	17,033
Deposits payable	25,000	-	-	25,000
Total liabilities	<u>105,492</u>	<u>5,287</u>	<u>-</u>	<u>110,779</u>
FUND BALANCES				
Reserved for encumbrances	53,532	-	-	53,532
Reserved for prepaid costs	9,295	-	-	9,295
Reserved for uncompleted projects	138,344	-	-	138,344
Reserved for debt service	-	180,498	-	180,498
Reserved for perpetual care	-	-	624,742	624,742
Unreserved and undesignated	293,644	-	-	293,644
Total fund balances	<u>494,815</u>	<u>180,498</u>	<u>624,742</u>	<u>1,300,055</u>
 Total liabilities and fund balances	 <u>\$ 600,307</u>	 <u>\$ 185,785</u>	 <u>\$ 624,742</u>	 <u>\$ 1,410,834</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2004

	Special Revenue Funds	Debt Service Funds	Cemetery Perpetual Care Permanent Fund	Total
REVENUES				
Taxes and special assessments	\$ 1,329,646	\$ 388,951	\$ -	\$ 1,718,597
Taxes refunded & rebated	-	(538,008)	-	(538,008)
Licenses and permits	498,684	-	-	498,684
Intergovernmental	347,763	-	-	347,763
Charges for services	38,449	-	51,075	89,524
Interest and rents	11,688	258,070	9,554	279,312
Other	110,122	-	-	110,122
Total revenues	<u>2,336,352</u>	<u>109,013</u>	<u>60,629</u>	<u>2,505,994</u>
EXPENDITURES				
Current:				
General government	51,337	-	-	51,337
Public safety	61,838	-	-	61,838
Health and welfare	1,263,631	-	-	1,263,631
Recreation and cultural	579,844	-	-	579,844
Debt service:				
Principal	-	1,987,857	-	1,987,857
Interest and fiscal charges	-	1,849,002	-	1,849,002
Total expenditures	<u>1,956,650</u>	<u>3,836,859</u>	<u>-</u>	<u>5,793,509</u>
Excess (deficiency) of revenues over expenditures	<u>379,702</u>	<u>(3,727,846)</u>	<u>60,629</u>	<u>(3,287,515)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	3,076,608	-	3,076,608
Transfers out	(314,114)	-	(9,553)	(323,667)
Total other financing sources (uses)	<u>(314,114)</u>	<u>3,076,608</u>	<u>(9,553)</u>	<u>2,752,941</u>
Net change in fund balances	65,588	(651,238)	51,076	(534,574)
Fund balances - beginning	<u>429,227</u>	<u>831,736</u>	<u>573,666</u>	<u>1,834,629</u>
Fund balances - ending	<u><u>\$ 494,815</u></u>	<u><u>\$ 180,498</u></u>	<u><u>\$ 624,742</u></u>	<u><u>\$ 1,300,055</u></u>

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet Nonmajor Special Revenue Funds

June 30, 2004

	Cultural Activities Fund	Cable Television Fund	Community Development Block Grant Fund	West Lake Management Program	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Total
ASSETS							
Cash and investments	\$ 3,214	\$ 29,002	\$ -	\$ 138,759	\$ 172,852	\$ 41,796	\$ 385,623
Accounts receivable	2,700	122,537	-	11,000	-	-	136,237
Due from other governments	-	-	49,136	1,537	9,063	9,416	69,152
Prepaid costs	5,537	-	-	-	1,701	2,057	9,295
Total assets	<u>11,451</u>	<u>151,539</u>	<u>49,136</u>	<u>151,296</u>	<u>183,616</u>	<u>53,269</u>	<u>600,307</u>
LIABILITIES							
Accounts payable	2,340	3,545	807	-	-	1,800	8,492
Checks issued against future deposits	-	-	44,669	-	-	-	44,669
⌘ Accrued compensation	3,786	1,932	3,660	-	90	830	10,298
Deferred revenue	4,081	-	-	12,952	-	-	17,033
Deposits payable	-	25,000	-	-	-	-	25,000
Total liabilities	<u>10,207</u>	<u>30,477</u>	<u>49,136</u>	<u>12,952</u>	<u>90</u>	<u>2,630</u>	<u>105,492</u>
FUND BALANCES							
Reserved:							
Reserved for encumbrances	-	-	-	-	52,132	1,400	53,532
Reserved for prepaid costs	5,537	-	-	-	1,701	2,057	9,295
Reserved for lakes maintenance	-	-	-	138,344	-	-	138,344
Unreserved:							
Undesignated	(4,293)	121,062	-	-	129,693	47,182	293,644
Total fund balances	<u>1,244</u>	<u>121,062</u>	<u>-</u>	<u>138,344</u>	<u>183,526</u>	<u>50,639</u>	<u>494,815</u>
Total liabilities and fund balances	<u>\$ 11,451</u>	<u>\$ 151,539</u>	<u>\$ 49,136</u>	<u>\$ 151,296</u>	<u>\$ 183,616</u>	<u>\$ 53,269</u>	<u>\$ 600,307</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Special Revenue Funds

Fiscal Year Ended June 30, 2004

	Cultural Activities Fund	Cable Television Fund	Community Development Block Grant Fund	West Lake Management Fund	Curbside Recycling Fund	Leaf Pickup Spring Clean Fund	Total
REVENUES:							
Taxes and special assessments	\$ -	\$ -	\$ -	\$ 47,707	\$ 628,752	\$ 653,187	\$ 1,329,646
Licenses and permits	-	498,684	-	-	-	-	498,684
Intergovernmental	-	-	347,763	-	-	-	347,763
Charges for services	38,449	-	-	-	-	-	38,449
Interest on investments	353	533	-	2,165	4,738	3,899	11,688
Other	99,605	-	-	-	-	10,517	110,122
Total revenues	<u>138,407</u>	<u>499,217</u>	<u>347,763</u>	<u>49,872</u>	<u>633,490</u>	<u>667,603</u>	<u>2,336,352</u>
EXPENDITURES:							
⌘ General government	-	-	51,337	-	-	-	51,337
Public safety	-	-	61,838	-	-	-	61,838
Health and welfare	-	-	234,588	-	521,155	507,888	1,263,631
Recreation and cultural	184,579	392,185	-	3,080	-	-	579,844
Total expenditures	<u>184,579</u>	<u>392,185</u>	<u>347,763</u>	<u>3,080</u>	<u>521,155</u>	<u>507,888</u>	<u>1,956,650</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,172)</u>	<u>107,032</u>	<u>-</u>	<u>46,792</u>	<u>112,335</u>	<u>159,715</u>	<u>379,702</u>
OTHER FINANCING SOURCES (USES):							
Transfers out	-	(190,000)	-	-	(6,000)	(118,114)	(314,114)
Total other financing sources and (uses)	<u>-</u>	<u>(190,000)</u>	<u>-</u>	<u>-</u>	<u>(6,000)</u>	<u>(118,114)</u>	<u>(314,114)</u>
Net change in fund balances	(46,172)	(82,968)	-	46,792	106,335	41,601	65,588
Fund balances - beginning	<u>47,416</u>	<u>204,030</u>	<u>-</u>	<u>91,552</u>	<u>77,191</u>	<u>9,038</u>	<u>429,227</u>
Fund balances - ending	<u>\$ 1,244</u>	<u>\$ 121,062</u>	<u>\$ -</u>	<u>\$ 138,344</u>	<u>\$ 183,526</u>	<u>\$ 50,639</u>	<u>\$ 494,815</u>

CITY OF PORTAGE, MICHIGAN

Cultural Activities Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2003 Actual
REVENUES				
Charges for services	\$ 44,800	\$ 38,449	\$ (6,351)	\$ 32,802
Interest on investments	-	353	353	283
Other	134,555	99,605	(34,950)	97,615
Total revenues	179,355	138,407	(40,948)	130,700
EXPENDITURES				
Cultural Activities	183,392	184,579	(1,187)	154,488
Total expenditures	183,392	184,579	(1,187)	154,488
Excess (deficiency) of revenues over expenditures	(4,037)	(46,172)	(42,135)	(23,788)
OTHER FINANCING SOURCES				
Transfers in:				
General Fund	-	-	-	20,000
Total other financing sources (uses)	-	-	-	20,000
Net change in fund balances	(4,037)	(46,172)	(42,135)	(3,788)
Fund balances - beginning	47,416	47,416	-	51,204
Fund balances - ending	\$ 43,379	\$ 1,244	\$ (42,135)	\$ 47,416

CITY OF PORTAGE, MICHIGAN

Cable Television Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

**Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003**

	2004			2003
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUE:				
Licenses and permits:				
Annual fees	\$ 539,968	\$ 498,684	\$ (41,284)	\$ 494,615
Interest on investments	3,000	533	(2,467)	1,502
Total revenues	<u>542,968</u>	<u>499,217</u>	<u>(43,751)</u>	<u>496,117</u>
EXPENDITURES:				
Recreation and cultural:				
Operations	<u>504,976</u>	<u>392,185</u>	<u>112,791</u>	<u>505,444</u>
Total expenditures	<u>504,976</u>	<u>392,185</u>	<u>112,791</u>	<u>505,444</u>
Excess (deficiency) of revenues over expenditures	37,992	107,032	69,040	(9,327)
OTHER FINANCING USES:				
Transfers:				
General Fund	<u>(190,000)</u>	<u>(190,000)</u>	<u>-</u>	<u>(16,000)</u>
Total other financing sources (uses)	<u>(190,000)</u>	<u>(190,000)</u>	<u>-</u>	<u>(16,000)</u>
Net change in fund balance	(152,008)	(82,968)	69,040	(25,327)
Fund balances - beginning	<u>204,030</u>	<u>204,030</u>	<u>-</u>	<u>229,357</u>
Fund balances - ending	<u>\$ 52,022</u>	<u>\$ 121,062</u>	<u>\$ 69,040</u>	<u>\$ 204,030</u>

CITY OF PORTAGE, MICHIGAN

Community Development Block Grant Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

**Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003**

	2004			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2003 Actual
REVENUE:				
Intergovernmental:				
Federal grants	\$ 403,814	\$ 347,763	\$ (56,051)	\$ 359,305
Total revenues	<u>403,814</u>	<u>347,763</u>	<u>(56,051)</u>	<u>359,305</u>
EXPENDITURES:				
General government:				
Administration	59,058	51,337	7,721	63,877
Public safety:				
Code enforcement	67,624	61,838	5,786	61,800
Health and welfare:				
Housing rehabilitation	236,632	194,088	42,544	187,128
Portage Community Outreach Center	40,500	40,500	-	46,500
Total expenditures	<u>403,814</u>	<u>347,763</u>	<u>56,051</u>	<u>359,305</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PORTAGE, MICHIGAN

West Lake Management Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2003 Actual
REVENUE:				
Taxes and special assessments	\$ 15,040	\$ 47,707	\$ 32,667	\$ 113
Interest on investments	1,500	2,165	665	1,152
Total revenues	<u>16,540</u>	<u>49,872</u>	<u>33,332</u>	<u>1,265</u>
EXPENDITURES:				
Recreation and Cultural:				
Weed control	<u>40,000</u>	<u>3,080</u>	<u>36,920</u>	<u>-</u>
Total expenditures	<u>40,000</u>	<u>3,080</u>	<u>36,920</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(23,460)</u>	<u>46,792</u>	<u>70,252</u>	<u>1,265</u>
Net change in fund balance	(23,460)	46,792	70,252	1,265
Fund balances - beginning	<u>91,552</u>	<u>91,552</u>	<u>-</u>	<u>90,287</u>
Fund balances - ending	<u>\$ 68,092</u>	<u>\$ 138,344</u>	<u>\$ 70,252</u>	<u>\$ 91,552</u>

CITY OF PORTAGE, MICHIGAN

Curbside Recycling Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

**Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003**

	2004		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2003 Actual
REVENUE:			
Taxes and special assessments	\$ 635,400	\$ 628,752	\$ (6,648)
Interest on investments	6,000	4,738	(1,262)
Total revenues	<u>641,400</u>	<u>633,490</u>	<u>(7,910)</u>
EXPENDITURES:			
Health and welfare:			
Operations	<u>674,286</u>	<u>521,155</u>	<u>153,131</u>
Total expenditures	<u>674,286</u>	<u>521,155</u>	<u>153,131</u>
Excess (deficiency) of revenues over expenditures	(32,886)	112,335	145,221
OTHER FINANCING SOURCES (USES):			
Transfer in (out):			
General Fund	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Net change in fund balance	(38,886)	106,335	145,221
Fund balances - beginning	<u>77,191</u>	<u>77,191</u>	<u>-</u>
Fund balances - ending	<u>\$ 38,305</u>	<u>\$ 183,526</u>	<u>\$ 145,221</u>

CITY OF PORTAGE, MICHIGAN

Leaf Pickup / Spring Cleanup Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003

	2004			2003
	Amended Budget	Actual	Variance with Amended Budget + / (-)	Actual
REVENUE:				
Taxes and special assessments	\$ 660,300	\$ 653,187	\$ (7,113)	\$ 585,939
Interest on investments	6,000	3,899	(2,101)	3,157
Other revenue	-	10,517	10,517	-
Total revenues	<u>666,300</u>	<u>667,603</u>	<u>1,303</u>	<u>589,096</u>
EXPENDITURES:				
Health and welfare:				
Operations	<u>541,826</u>	<u>507,888</u>	<u>33,938</u>	<u>623,045</u>
Total expenditures	<u>541,826</u>	<u>507,888</u>	<u>33,938</u>	<u>623,045</u>
Excess (deficiency) of revenues over expenditures	<u>124,474</u>	<u>159,715</u>	<u>35,241</u>	<u>(33,949)</u>
OTHER FINANCING SOURCES (USES):				
Transfer in (out):				
General Fund	(98,913)	(98,913)	-	(125,000)
Debt Service Fund	(40,000)	(19,201)	20,799	-
Total other financing sources (uses)	<u>(138,913)</u>	<u>(118,114)</u>	<u>20,799</u>	<u>(125,000)</u>
Net change in fund balance	(14,439)	41,601	56,040	(158,949)
Fund balances - beginning	<u>9,038</u>	<u>9,038</u>	<u>-</u>	<u>167,987</u>
Fund balances - ending	<u>\$ (5,401)</u>	<u>\$ 50,639</u>	<u>\$ 56,040</u>	<u>\$ 9,038</u>

CITY OF PORTAGE, MICHIGAN

Combining Balance Sheet Nonmajor Debt Service Funds

June 30, 2004

	General Obligation Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund	Building Authority Debt Service Fund	Local Development Finance Authority Debt Service Fund	Total
ASSETS						
Cash and investments	\$ 9,255	\$ 12,071	\$ 76,928	\$ 71,785	\$ 11,811	\$ 181,850
Due from other governments	-	-	3,935	-	-	3,935
Total assets	<u>\$ 9,255</u>	<u>\$ 12,071</u>	<u>\$ 80,863</u>	<u>\$ 71,785</u>	<u>\$ 11,811</u>	<u>\$ 185,785</u>
LIABILITIES						
Interest payable	\$ 5,287	\$ -	\$ -	\$ -	\$ -	\$ 5,287
Total liabilities	<u>5,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,287</u>
FUND BALANCES						
Reserved for debt service	3,968	12,071	80,863	71,785	11,811	180,498
Total fund balances	<u>3,968</u>	<u>12,071</u>	<u>80,863</u>	<u>71,785</u>	<u>11,811</u>	<u>180,498</u>
Total liabilities and fund balances	<u>\$ 9,255</u>	<u>\$ 12,071</u>	<u>\$ 80,863</u>	<u>\$ 71,785</u>	<u>\$ 11,811</u>	<u>\$ 185,785</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds

Fiscal Year Ended June 30, 2004

	General Obligation Debt Fund	Motor Vehicle Highway Fund	Downtown Development Authority Fund	Building Authority Debt Service Fund	Local Development Finance Authority Debt Service Fund	Total
REVENUES:						
Taxes and special assessments	\$ (72)	\$ -	\$ 152,658	\$ -	\$ 236,365	\$ 388,951
Taxes refunded and rebated	-	-	-	-	(538,008)	(538,008)
Interest on investments	261	74	9,068	-	6,913	16,316
Rental revenue	-	-	-	241,754	-	241,754
Total revenues	<u>189</u>	<u>74</u>	<u>161,726</u>	<u>241,754</u>	<u>(294,730)</u>	<u>109,013</u>
EXPENDITURES:						
Debt Service:						
Principal retirement	569,498	670,000	-	478,359	270,000	1,987,857
Interest and fiscal charges	<u>299,489</u>	<u>704,272</u>	<u>148,206</u>	<u>672,110</u>	<u>24,925</u>	<u>1,849,002</u>
Total expenditures	<u>868,987</u>	<u>1,374,272</u>	<u>148,206</u>	<u>1,150,469</u>	<u>294,925</u>	<u>3,836,859</u>
Excess (deficiency) of revenues over expenditures	<u>(868,798)</u>	<u>(1,374,198)</u>	<u>13,520</u>	<u>(908,715)</u>	<u>(589,655)</u>	<u>(3,727,846)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in:						
Capital Improvement Fund	773,000	1,369,000	-	912,000	-	3,054,000
Special Assessment Fund	<u>19,201</u>	<u>3,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,608</u>
Total other financing sources (uses)	<u>792,201</u>	<u>1,372,407</u>	<u>-</u>	<u>912,000</u>	<u>-</u>	<u>3,076,608</u>
Net change in fund balance	(76,597)	(1,791)	13,520	3,285	(589,655)	(651,238)
Fund balances - beginning	<u>80,565</u>	<u>13,862</u>	<u>67,343</u>	<u>68,500</u>	<u>601,466</u>	<u>831,736</u>
Fund balances - ending	<u>\$ 3,968</u>	<u>\$ 12,071</u>	<u>\$ 80,863</u>	<u>\$ 71,785</u>	<u>\$ 11,811</u>	<u>\$ 180,498</u>

CITY OF PORTAGE, MICHIGAN

General Obligation Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003

	2004		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2003 Actual
REVENUES			
Taxes	\$ -	\$ (72)	\$ (72)
Interest on investments	2,720	261	(2,459)
Total revenues	2,720	189	(2,531)
EXPENDITURES			
Debt Service:			
Principal retirement	581,791	569,498	12,293
Interest and fiscal charges	333,130	299,489	33,641
Total expenditures	914,921	868,987	45,934
Excess (deficiency) of revenues over expenditures	(912,201)	(868,798)	43,403
OTHER FINANCING SOURCES:			
Transfers in:			
Leaf Pickup/Spring Cleanup Fund	19,201	19,201	-
Capital Improvement Funds	944,000	773,000	(171,000)
Total other financing sources (uses)	963,201	792,201	(171,000)
Net change in fund balance	51,000	(76,597)	(127,597)
Fund balances - beginning	80,565	80,565	-
Fund balances - ending	\$ 131,565	\$ 3,968	\$ (127,597)

CITY OF PORTAGE, MICHIGAN

Motor Vehicle Highway Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003

	2004		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2003 Actual
REVENUES			
Interest on investments	\$ -	\$ 74	\$ 74
Total revenues	-	74	74
EXPENDITURES			
Debt Service:			
Principal retirement	670,000	670,000	-
Interest and fiscal charges	707,900	704,272	3,628
Total expenditures	1,377,900	1,374,272	3,628
Excess (deficiency) of revenues over expenditures	(1,377,900)	(1,374,198)	3,702
OTHER FINANCING SOURCES (USES):			
Transfers in:			
Capital Improvement Fund	1,383,000	1,369,000	(14,000)
Special Assessment Fund	3,407	3,407	-
Total other financing sources (uses)	1,386,407	1,372,407	(14,000)
Net change in fund balance	8,507	(1,791)	(10,298)
Fund balances - beginning	13,862	13,862	-
Fund balances - ending	\$ 22,369	\$ 12,071	\$ (10,298)

CITY OF PORTAGE, MICHIGAN

Downtown Development Authority Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003

	2004		
	Amended Budget	Actual	Variance with Amended Budget + / (-)
			2003 Actual
REVENUE:			
Taxes	\$ 150,000	\$ 152,658	\$ 2,658
Interest on investments	500	9,068	738
Total revenues	<u>150,500</u>	<u>161,726</u>	<u>11,226</u>
EXPENDITURES:			
Debt Service:			
Interest	148,100	148,206	(106)
Total expenditures	<u>148,100</u>	<u>148,206</u>	<u>(106)</u>
Excess of revenues over expenditures	2,400	13,520	11,120
Fund balances - beginning	<u>67,343</u>	<u>67,343</u>	<u>-</u>
Fund balances - ending	<u>\$ 69,743</u>	<u>\$ 80,863</u>	<u>\$ 11,120</u>

CITY OF PORTAGE, MICHIGAN

Building Authority Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003

	2004			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2003 Actual
REVENUES				
Interest on investments	\$ 5,000	\$ -	\$ (5,000)	\$ 58
Rental revenue	244,897	241,754	(3,143)	310,453
Total revenues	249,897	241,754	(8,143)	310,511
EXPENDITURES				
Debt Service:				
Principal	478,385	478,359	26	387,009
Interest	673,960	672,110	1,850	663,400
Total expenditures	1,152,345	1,150,469	1,876	1,050,409
Excess of revenues over expenditures	(902,448)	(908,715)	(6,267)	(739,898)
OTHER FINANCING SOURCES				
Transfers in:				
Capital Improvement Fund	912,000	912,000	-	500,000
Total other financing sources (uses)	912,000	912,000	-	500,000
Net change in fund balance	9,552	3,285	(6,267)	(239,898)
Fund balances - beginning	68,500	68,500	-	308,398
Fund balances - ending	\$ 78,052	\$ 71,785	\$ (6,267)	\$ 68,500

CITY OF PORTAGE, MICHIGAN

Local Development Finance Authority Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

**Fiscal Year Ended June 30, 2004
With Comparative Actual Amounts for Fiscal Year Ended June 30, 2003**

	2004			
	Amended Budget	Actual	Variance with Amended Budget + / (-)	2003 Actual
REVENUES				
Taxes	\$ 260,548	\$ 236,365	\$ (24,183)	\$ 239,355
Refund of prior tax collections	-	(538,008)	(538,008)	(285,913)
Interest on investments	5,000	6,913	1,913	5,712
Total revenues	<u>265,548</u>	<u>(294,730)</u>	<u>(560,278)</u>	<u>(40,846)</u>
EXPENDITURES				
Debt Service:				
Principal	270,000	270,000	-	280,000
Interest	25,055	24,925	130	42,513
Total expenditures	<u>295,055</u>	<u>294,925</u>	<u>130</u>	<u>322,513</u>
Excess (deficiency) of revenues over expenditures	<u>(29,507)</u>	<u>(589,655)</u>	<u>(560,148)</u>	<u>(363,359)</u>
Net change in fund balance	(29,507)	(589,655)	(560,148)	(363,359)
Fund balances - beginning	<u>601,466</u>	<u>601,466</u>	<u>-</u>	<u>964,825</u>
Fund balances - ending	<u>\$ 571,959</u>	<u>\$ 11,811</u>	<u>\$ (560,148)</u>	<u>\$ 601,466</u>



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CITY OF PORTAGE, MICHIGAN

Combining Statement of Net Assets Internal Service Funds

June 30, 2004

	Communication Services Fund	Equipment Fund	Insurance Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 276,149	\$ 686,479	\$ 962,628
Inventory	-	72,828	-	72,828
Prepaid costs	-	57,638	-	57,638
Total current assets	-	406,615	686,479	1,093,094
Capital assets:				
Land	-	22,489	-	22,489
Land improvements	-	123,769	-	123,769
Buildings	-	1,701,151	-	1,701,151
Machinery and equipment	-	958,074	-	958,074
Vehicles	-	3,362,578	-	3,362,578
Less accumulated depreciation	-	(4,061,757)	-	(4,061,757)
Total capital assets (net of accumulated depreciation)	-	2,106,304	-	2,106,304
Total assets	-	2,512,919	686,479	3,199,398
LIABILITIES				
Current liabilities:				
Accounts payable	-	3,479	-	3,479
Accrued compensation	-	6,673	-	6,673
Workers' compensation	-	-	600,866	600,866
Accrued interest payable	-	18,459	-	18,459
Current portion of long-term debt	-	301,167	-	301,167
Total current liabilities	-	329,778	600,866	930,644
Long term liabilities:				
Notes payable (net of current portion)	-	112,112	-	112,112
Capital lease (net of current portion)	-	1,538,241	-	1,538,241
Accrued vacation and sick pay	-	37,636	-	37,636
Total long term liabilities	-	1,687,989	-	1,687,989
Total liabilities	-	2,017,767	600,866	2,618,633
NET ASSETS				
Invested in capital assets (net of related debt)	-	154,784	-	154,784
Unrestricted	-	340,368	85,613	425,981
Total net assets	\$ -	\$ 495,152	\$ 85,613	\$ 580,765

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds

Fiscal Year Ended June 30, 2004

	Communication Services Fund	Equipment Fund	Insurance Fund	Total
Operating revenues:				
Charges for services:				
User charges	\$ 324,111	\$ 1,540,984	\$ 346,511	\$ 2,211,606
Other	-	23,551	-	23,551
Total operating revenue	<u>324,111</u>	<u>1,564,535</u>	<u>346,511</u>	<u>2,235,157</u>
Operating expenses:				
Operations and maintenance:				
Duplicating	58,050	-	-	58,050
Printing	159,697	-	-	159,697
Central office supplies	58,127	-	-	58,127
Equipment	-	1,291,648	-	1,291,648
Workers' compensation	-	-	361,511	361,511
General and administrative	36,932	-	-	36,932
Depreciation	11,347	386,223	-	397,570
Total operating expenses	<u>324,153</u>	<u>1,677,871</u>	<u>361,511</u>	<u>2,363,535</u>
Operating income (loss)	<u>(42)</u>	<u>(113,336)</u>	<u>(15,000)</u>	<u>(128,378)</u>
Nonoperating revenues (expenses):				
Interest on investments	43	3,932	9,722	13,697
Interest and fiscal charges	-	(77,346)	-	(77,346)
Gain (loss) on sale of fixed assets	-	3,168	-	3,168
Total nonoperating revenues (expenses)	<u>43</u>	<u>(70,246)</u>	<u>9,722</u>	<u>(60,481)</u>
Income before contributions and transfers	1	(183,582)	(5,278)	(188,859)
Transfers in (out)	<u>(20,089)</u>	<u>-</u>	<u>-</u>	<u>(20,089)</u>
Change in net assets	(20,088)	(183,582)	(5,278)	(208,948)
Total net assets - beginning	<u>20,088</u>	<u>678,734</u>	<u>90,891</u>	<u>789,713</u>
Total net assets - ending	<u>\$ -</u>	<u>\$ 495,152</u>	<u>\$ 85,613</u>	<u>\$ 580,765</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

Fiscal Year Ended June 30, 2004

	Communication Services Fund	Equipment Fund	Insurance Fund	Total
OPERATING ACTIVITIES:				
Cash received from customers	\$ 324,111	\$ 1,564,535	346,511	\$ 2,235,157
Cash payments to suppliers for goods and services	(333,250)	(1,030,226)	(307,926)	(1,671,402)
Cash payments to employees for services	(11,679)	(323,722)	-	(335,401)
Cash provided by (used in) operating activities	(20,818)	210,587	38,585	228,354
NONCAPITAL FINANCING ACTIVITIES:				
Transfer to other funds	(20,089)	-	-	(20,089)
Cash provided by (used in) noncapital and related financing activities	(20,089)	-	-	(20,089)
CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from capital borrowings	-	318,670	-	318,670
Proceeds from sale of capital assets	-	3,167	-	3,167
Acquisition and construction of capital assets	-	(335,176)	-	(335,176)
Principal paid on capital lease	-	(205,425)	-	(205,425)
Principal paid on notes	-	(16,016)	-	(16,016)
Interest and fiscal charges paid on capital lease and notes	-	(76,676)	-	(76,676)
⌘ Cash used by capital and related financing activities	-	(311,456)	-	(311,456)
INVESTING ACTIVITIES:				
Interest on investments	43	3,932	9,722	13,697
Cash used by investing activities	43	3,932	9,722	13,697
Net increase (decrease) in cash and cash equivalents	(40,864)	(96,937)	48,307	(89,494)
Cash and cash equivalents - beginning of year	40,864	373,086	638,172	1,052,122
Cash and cash equivalents - end of year	\$ -	\$ 276,149	\$ 686,479	\$ 962,628
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (42)	\$ (113,336)	\$ (15,000)	\$ (128,378)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	11,347	386,223	-	397,570
(Increase) decrease in inventory	2,187	(112)	-	2,075
(Increase) in prepaid costs	868	(7,773)	15,000	8,095
Decrease in accounts payable	(23,499)	(60,695)	-	(84,194)
Increase (decrease) in accrued compensation	(11,679)	6,280	38,585	33,186
Net cash provided by operating activities	\$ (20,818)	\$ 210,587	\$ 38,585	\$ 228,354

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTARY INFORMATION



CITY OF PORTAGE, MICHIGAN

Combining Statement of Fiduciary Net Assets Pension Trust Funds

June 30, 2004

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Employee Benefit Trust Funds
<u>ASSETS</u>			
Cash and investments	\$ -	\$ 959,096	\$ 959,096
Investments in fixed income securities	3,694,167	-	3,694,167
Total assets	<u>3,694,167</u>	<u>959,096</u>	<u>4,653,263</u>
<u>LIABILITIES</u>			
Deposits	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>			
Restricted for retiree benefits	3,694,167	959,096	4,653,263
Total net assets	<u>\$ 3,694,167</u>	<u>\$ 959,096</u>	<u>\$ 4,653,263</u>

The notes to the financial statements are an integral part of this statements.

CITY OF PORTAGE, MICHIGAN

Statement of Changes in Agency Fund Assets Fiduciary Funds

Fiscal Year Ended June 30, 2004

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<u>ASSETS</u>				
Cash and investments	\$ 489,297	\$ 88,282,029	\$ 88,480,421	\$ 290,905
Accounts receivable	245,001	141,859,813	141,871,210	233,604
Accrued interest receivable	54,095	379,078	287,263	145,910
TOTAL ASSETS	<u>788,393</u>	<u>230,520,920</u>	<u>230,638,894</u>	<u>670,419</u>
<u>LIABILITIES</u>				
Checks issued against future deposits	3,120	-	3,120	-
Payroll withholdings payable	58	11,424,177	11,376,137	48,098
Accrued interest payable	54,095	379,078	287,263	145,910
Due to other governments	655,914	103,375,725	103,804,199	227,440
Deposits	75,206	1,265,815	1,092,050	248,971
TOTAL LIABILITIES	<u>788,393</u>	<u>116,444,795</u>	<u>116,562,769</u>	<u>670,419</u>

The notes to the financial statements are an integral part of this statements.

CITY OF PORTAGE, MICHIGAN

Combining Statement of Net Assets Agency Funds

June 30, 2004

	Current Year Tax Collection	Investment Interest Allocation	Payroll Fund	Trust and Agency	Total Agency Funds
ASSETS					
Cash and investments	\$ 12,938	\$ -	\$ 33,470	\$ 244,497	\$ 290,905
Accounts receivable	214,502	-	15,471	3,631	233,604
Accrued interest receivable	-	145,910	-	-	145,910
Total assets	<u>227,440</u>	<u>145,910</u>	<u>48,941</u>	<u>248,128</u>	<u>670,419</u>
LIABILITIES					
Payroll withholdings payable	-	-	48,098	-	48,098
Accrued interest payable	-	145,910	-	-	145,910
Due to other governments	227,440	-	-	-	227,440
Deposits	-	-	843	248,128	248,971
Total liabilities	<u>227,440</u>	<u>145,910</u>	<u>48,941</u>	<u>248,128</u>	<u>670,419</u>
NET ASSETS					
Unrestricted	-	-	-	-	-
Total net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PORTAGE, MICHIGAN

Combining Statement of Changes in Fiduciary Net Assets Pension Trust Funds

Fiscal Year Ended June 30, 2004

	Pension Trust Fund	Retiree Health Care Fund	Total Pension and Employee Benefit Trust Funds
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Employer contributions	\$ -	\$ 271,814	\$ 271,814
	<u> </u>	<u> </u>	<u> </u>
Investment income			
Net increase (decrease) in the fair value of investments	(206,161)	-	(206,161)
Interest income	186,200	18,171	204,371
Net investment earnings	<u>(19,961)</u>	<u>18,171</u>	<u>(1,790)</u>
	<u> </u>	<u> </u>	<u> </u>
Total additions	(19,961)	289,985	270,024
	<u> </u>	<u> </u>	<u> </u>
DEDUCTIONS			
Benefits to plan members	(204,300)	-	(204,300)
Administrative expenses	<u>(6,981)</u>	<u>-</u>	<u>(6,981)</u>
	<u> </u>	<u> </u>	<u> </u>
Total deductions	<u>(211,281)</u>	<u>-</u>	<u>(211,281)</u>
	<u> </u>	<u> </u>	<u> </u>
Change in net assets	(231,242)	289,985	58,743
	<u> </u>	<u> </u>	<u> </u>
Net assets - beginning	3,925,409	669,111	4,594,520
	<u> </u>	<u> </u>	<u> </u>
Net assets - ending	<u>\$ 3,694,167</u>	<u>\$ 959,096</u>	<u>\$ 4,653,263</u>

CITY OF PORTAGE, MICHIGAN

Special Assessments Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUE:				
Special assessments	\$ 540,000	\$ 540,000	\$ 777,621	\$ 237,621
Interest on special assessments	790,000	790,000	291,695	(498,305)
Interest on investments	19,000	19,000	55,041	36,041
Total revenues	<u>1,349,000</u>	<u>1,349,000</u>	<u>1,124,357</u>	<u>(224,643)</u>
EXPENDITURES:				
Debt Service:				
Principal retirement	955,000	955,000	955,000	-
Interest and fiscal charges	381,510	381,510	374,951	6,559
Total expenditures	<u>1,336,510</u>	<u>1,336,510</u>	<u>1,329,951</u>	<u>6,559</u>
Excess (deficiency) of revenues over expenditures	<u>12,490</u>	<u>12,490</u>	<u>(205,594)</u>	<u>(218,084)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out:				
Capital Improvement Projects Fund	-	-	(56,445)	(56,445)
General Obligation Debt Fund	-	-	(913)	(913)
Motor Vehicle Highway Fund	(3,407)	(3,407)	(3,407)	-
Total other financing sources and uses	<u>(3,407)</u>	<u>(3,407)</u>	<u>(60,765)</u>	<u>(57,358)</u>
Net change in fund balance	9,083	9,083	(266,359)	(275,442)
Fund balance - beginning	<u>3,390,643</u>	<u>3,390,643</u>	<u>3,390,643</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,399,726</u>	<u>\$ 3,399,726</u>	<u>\$ 3,124,284</u>	<u>\$ (275,442)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Capital Projects Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUE:				
Taxes and special assessments	\$ 3,282,000	\$ 3,282,000	\$ 3,265,983	\$ (16,017)
Intergovernmental:				
Federal grants	-	(278,249)	-	278,249
State grants	-	(158,293)	104,555	262,848
Interest and rents	200,000	200,000	9,907	(190,093)
Other	-	611,542	-	(611,542)
Total revenues	<u>3,482,000</u>	<u>3,657,000</u>	<u>3,380,445</u>	<u>(276,555)</u>
⌘ EXPENDITURES:				
Capital outlay	10,916,000	16,434,837	8,459,879	(7,974,958)
Total expenditures	<u>10,916,000</u>	<u>16,434,837</u>	<u>8,459,879</u>	<u>7,974,958</u>
Excess (deficiency) of revenues over expenditures	<u>(7,434,000)</u>	<u>(12,777,837)</u>	<u>(5,079,434)</u>	<u>7,698,403</u>
OTHER FINANCING SOURCES (USES):				
Proceeds of debt obligations	9,563,000	15,336,204	10,092,000	(5,244,204)
Transfers in	999,000	1,414,141	1,720,330	306,189
Transfers out	(3,048,000)	(3,692,141)	(4,790,642)	(1,098,501)
Total other financing sources and uses	<u>7,514,000</u>	<u>13,058,204</u>	<u>7,021,688</u>	<u>(6,036,516)</u>
Net change in fund balance	80,000	280,367	1,942,254	1,661,887
Fund balance - beginning	<u>1,297,643</u>	<u>1,297,643</u>	<u>1,297,643</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,377,643</u>	<u>\$ 1,578,010</u>	<u>\$ 3,239,897</u>	<u>\$ 1,661,887</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Community Development Block Grant Program Income Fund Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUES				
Loan principal	\$ 45,000	\$ 45,000	\$ 47,576	\$ 2,576
Loan interest	11,500	11,500	25,198	13,698
Interest on investments	3,500	3,500	-	(3,500)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>72,774</u>	<u>12,774</u>
EXPENDITURES				
Housing rehabilitation loans	51,000	51,000	50,413	587
Other	9,000	12,418	21,316	(8,898)
Total expenditures	<u>60,000</u>	<u>63,418</u>	<u>71,729</u>	<u>(8,311)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(3,418)</u>	<u>1,045</u>	<u>4,463</u>
Net change in fund balances	-	(3,418)	1,045	4,463
Fund balances - beginning	<u>5,613</u>	<u>5,613</u>	<u>5,613</u>	<u>-</u>
Fund balances - ending	<u>\$ 5,613</u>	<u>\$ 2,195</u>	<u>\$ 6,658</u>	<u>\$ 4,463</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Local Development Finance Authority 2004 Debt Service Fund Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Fiscal Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget + / (-)
REVENUES				
Interest on investments	\$ -	\$ -	\$ 14,181	\$ 14,181
Total revenues	-	-	14,181	14,181
EXPENDITURES				
Debt Service:				
Interest	-	100,000	-	-
Total expenditures	-	100,000	-	-
Excess (deficiency) of revenues over expenditures	-	(100,000)	14,181	14,181
OTHER FINANCING SOURCES				
Bond proceeds	-	-	3,150,000	3,150,000
Transfers in:				
Capital Improvement Fund	-	100,000	-	-
Total other financing sources (uses)	-	100,000	3,150,000	3,150,000
Net change in fund balance	-	-	3,164,181	3,164,181
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 3,164,181	\$ 3,164,181

The accompanying notes are an integral part of these financial statements.

CITY OF PORTAGE, MICHIGAN

Capital Assets Used in the Operation of Governmental Funds Comparative Schedules by Source ⁽¹⁾ June 30, 2004

	<u>TOTAL</u>
Governmental funds capital assets:	
Land	\$ 6,682,073
Land improvements	5,521,549
Buildings	9,675,700
Machinery and equipment	4,549,524
Vehicles	3,866,079
Infrastructure	<u>174,920,923</u>
 Total governmental funds capital assets	 <u><u>\$ 205,215,848</u></u>
 Investments in governmental funds capital assets by source:	
General fund	\$ 29,669,696
Cable television fund	315,510
Leaf Pickup / Spring Cleanup fund	309,719
Capital projects funds	<u>174,920,923</u>
 Total investment in governmental funds capital assets	 <u><u>\$ 205,215,848</u></u>

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF PORTAGE, MICHIGAN
Capital Assets Used in the Operation of Governmental Funds
Schedules by Function and Activity ⁽¹⁾
June 30, 2004

Function and Activity	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Infrastructure	TOTAL
General government:							
Legislative	\$ -	\$ -	\$ -	\$ 6,603	\$ -	\$ -	\$ 6,603
Executive	-	-	-	356,419	-	-	356,419
Clerk	-	-	-	8,000	-	-	8,000
Finance/treasury	-	-	-	1,403,398	-	-	1,403,398
Assessor	-	-	-	54,356	-	-	54,356
Community Development	-	-	-	139,153	-	-	139,153
Other - unclassified	4,641,786	378,090	2,978,213	28,106	-	-	8,026,195
Total general government	4,641,786	378,090	2,978,213	1,996,035	-	-	9,994,124
Public safety:							
Police	-	-	1,246,386	1,147,014	922,079	-	3,315,479
Fire	365,036	77,056	2,909,972	442,940	2,776,622	-	6,571,626
Total public safety	365,036	77,056	4,156,358	1,589,954	3,698,701	-	9,887,105
Public works:	-	-	-	20,973	-	-	20,973
Highways and streets:							
Right of way	-	-	-	-	-	4,094,463	4,094,463
Streets and alleys	-	-	-	-	-	156,752,161	156,752,161
Bikeways	-	-	-	-	-	373,300	373,300
Sidewalks	-	-	-	-	-	7,767,657	7,767,657
Bridges	-	-	-	-	-	1,188,922	1,188,922
Retaining walls	-	-	-	-	-	502,656	502,656
Traffic signals	-	-	-	-	-	4,241,764	4,241,764
Total highways and streets:	-	-	-	-	-	174,920,923	174,920,923
Recreation and cultural:							
Senior Citizen Center	44,000	38,200	457,452	25,825	-	-	565,477
Parks and recreation	1,514,503	4,986,373	2,083,677	617,464	-	-	9,202,017
Cable Television	-	-	-	280,010	35,500	-	315,510
Total recreation and cultural:	1,558,503	5,024,573	2,541,129	923,299	35,500	-	10,083,004
Health and welfare:							
Leaf Pickup / Spring Clean	116,748	41,830	-	19,263	131,878	-	309,719
Total governmental funds capital assets:	\$ 6,682,073	\$ 5,521,549	\$ 9,675,700	\$ 4,549,524	\$ 3,866,079	\$ 174,920,923	\$ 205,215,848

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF PORTAGE, MICHIGAN

Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity ⁽¹⁾ Fiscal Year Ended June 30, 2004

Function and Activity	Capital Assets July 1, 2003	Additions	Deductions	Capital Assets June 30, 2004
General government:				
Legislature	\$ 6,603	\$ -	\$ -	\$ 6,603
Executive	356,419	-	-	356,419
Clerk	8,000	-	-	8,000
Employee Development	-	-	-	-
Finance/treasury	1,403,398	-	-	1,403,398
Assessor	54,356	-	-	54,356
Community Development	139,153	-	-	139,153
Other - unclassified	7,757,931	320,841	(52,577)	8,026,195
Total general government	9,725,860	320,841	(52,577)	9,994,124
Public safety:				
Police	2,853,989	486,398	(24,908)	3,315,479
Fire	6,487,861	417,721	(333,956)	6,571,626
Total public safety	9,341,850	904,119	(358,864)	9,887,105
Public works	20,973	-	-	20,973
Infrastructure	171,304,541	3,616,382	-	174,920,923
Recreation and cultural:				
Senior citizen center	539,652	25,825	-	565,477
Parks and recreation	8,835,371	366,646	-	9,202,017
Total recreation and cultural	9,375,023	392,471	-	9,767,494
Cable television	315,510	-	-	315,510
Leaf pickup / Spring cleanup	309,719	-	-	309,719
Total governmental funds capital assets	\$ 200,393,476	\$ 5,233,813	\$ (411,441)	\$ 205,215,848

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF PORTAGE, MICHIGAN
(unaudited)
General Government Expenditures by Function ⁽¹⁾

Fiscal Year Ended June 30,	Legislative	Judicial	General Government	Public Works and Improvements	Recreation and Cultural	Debt Service	Health and Welfare	Public Safety	Total
2004	\$ 44,582	\$ 7,243	\$ 5,047,387	\$ 12,211,971	\$ 2,735,933	\$ 5,166,810	\$ 1,437,435	\$ 12,537,815	\$ 39,189,176
2003	50,245	145,259	4,723,590	13,369,077	2,814,862	4,188,257	1,862,251	11,529,037	38,682,578
2002	55,757	358,138	5,792,778	14,179,913	2,808,728	3,887,366	1,994,101	11,447,030	40,523,811
2001	57,410	194,246	4,936,218	12,605,596	2,744,001	3,882,167	1,401,958	10,913,680	36,735,276
2000	58,565	105,823	3,876,064	15,901,032	2,573,863	3,699,630	1,435,645	10,297,861	37,948,483
1999	55,891	500,565	3,566,601	8,125,513	2,253,774	3,895,848	1,163,564	9,589,124	29,150,880
1998	61,524	828,987	3,237,287	7,041,806	2,952,141	3,983,981	1,107,991	9,437,412	28,651,129
1997	53,692	777,535	3,081,970	8,488,729	3,447,696	3,931,182	742,315	8,834,123	29,357,242
1996	60,248	750,983	2,805,424	8,952,234	3,268,458	3,715,988	837,756	8,331,123	28,722,214
1995	63,540	710,946	2,526,538	14,106,543	2,888,570	3,535,378	855,975	7,782,726	32,470,216

Note:

(1) includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds.

CITY OF PORTAGE, MICHIGAN

(unaudited)

General Revenue by Source ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes and Special Assessments	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Forfeits	Interest and Rents	Other	Total
2004	\$ 18,152,115	\$ 1,184,504	\$ 8,393,234	\$ 2,872,353	\$ -	\$ 879,107	\$ 315,003	\$ 31,796,316
2003	17,127,067	1,176,786	8,783,362	2,527,908	116,012	759,833	409,217	30,900,185
2002	17,963,616	1,049,746	8,806,413	2,061,923	129,290	961,362	706,576	31,678,926
2001	15,152,596	1,051,444	8,500,572	1,921,162	152,802	1,793,818	957,986	29,530,380
2000	14,860,080	711,969	7,836,242	1,767,255	132,312	1,607,587	756,771	27,672,216
1999	14,895,969	709,625	7,684,802	1,422,137	395,799	1,324,231	1,181,096	27,613,659
1998	15,654,839	723,996	7,207,258	1,541,375	756,629	1,421,753	904,990	28,210,840
1997	14,335,634	676,552	6,532,405	1,605,694	740,592	1,337,728	843,101	26,071,706
1996	14,449,012	575,765	6,841,268	1,464,008	662,096	1,182,795	767,244	25,942,188 ⁽²⁾
1995	13,497,508	578,604	7,790,173	1,224,823	672,494	1,009,437	692,557	25,465,596

Notes:

(1) Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Fund.

(2) Prior to the fiscal year ended June 30, 1997, the Tax Increment Finance Authority and the Local Development Finance Authority were classified as Special Revenue Funds

(3) Prior to the fiscal year ended June 30, 1995, the Economic Development Corporation was classified as a Special Revenue Fund

CITY OF PORTAGE, MICHIGAN

(unaudited)

Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levy	Current Tax Collections ⁽¹⁾	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2004	\$ 16,661,133	\$ 16,594,956	99.60%	\$ 24,703	\$ 16,619,659	99.75%	\$ 40,407	0.24%
2003	15,849,415	15,782,943	99.58%	22,520	15,805,463	99.72%	79,215	0.50%
2002	15,179,020	15,160,686	99.88%	18,568	15,179,254	100.00%	54,670	0.36%
2001	14,277,046	14,230,378	99.67%	9,899	14,240,277	99.74%	58,934	0.41%
2000	15,264,153	15,238,733	99.83%	9,846	15,248,579	99.90%	64,809	0.42%
1999	15,462,855	15,345,436	99.24%	8,960	15,354,396	99.30%	64,944	0.42%
1998	14,371,756	14,353,091	99.87%	10,590	14,363,681	99.94%	58,344	0.41%
1997	12,944,024	12,926,396	99.86%	7,883	12,934,279	99.92%	51,015	0.39%
1996	11,835,145	11,639,516	98.35%	6,585	11,646,101	98.40%	45,283	0.38%
1995	11,230,642	11,036,748	98.28%	8,571	11,045,319	98.35%	48,556	0.43%

Notes:

(1) Current tax collections include taxes collected from Kalamazoo County's Revolving Tax Collection Fund.

SOURCE: Treasury Office

CITY OF PORTAGE, MICHIGAN

(unaudited)

State Equalized Property Values ⁽¹⁾

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Regular Tax Roll		Specific Tax Rolls			State Equalized Value
	Real Property	Personal Property	(2) Tax Abated Property	Tax Increment Financing District	Local Development Finance Authority	
2004	\$1,537,711,300	317,582,500	27,518,600	22,841,900	\$ 7,849,600	\$ 1,913,503,900
2003	1,472,486,200	309,007,200	32,779,300	21,934,100	12,265,000	1,848,471,800
2002	1,330,203,400	316,077,200	41,580,800	20,075,200	12,265,000	1,720,201,600
2001	1,247,925,800	259,211,000	52,800,800	15,090,900	12,265,000	1,587,293,500
2000	1,169,465,100	290,584,300	65,356,900	14,182,000	12,265,000	1,551,853,300
1999	1,025,628,500	265,162,500	58,865,200	-	16,870,200	1,366,526,400
1998	954,481,100	224,545,900	54,416,300	2,534,000	17,702,800	1,253,680,100
1997	869,769,900	217,682,400	65,164,800	2,650,100	18,738,200	1,174,005,400
1996	801,217,400	207,155,200	64,077,800	2,492,800	17,228,000	1,092,171,200
1995	766,835,900	195,015,100	63,656,800	2,596,500	17,101,000	1,045,205,300
1994 ⁽³⁾	701,299,700	177,081,800	65,759,000	2,708,900	4,665,600	951,515,000

(1) According to State Statute, all property is to be assessed at 50 percent of market value (State Equalized Value).

(2) The Industrial Facilities and Commercial Facilities Tax Acts permit certain property to be taxed at one-half the tax rate for a period of up to twelve years.

(3) Beginning with the fiscal year ending June 30, 1994, property taxes are spread on taxable value, rather than SEV.

SOURCE: City Assessor's Office, L-4022 Report

CITY OF PORTAGE, MICHIGAN
(unaudited)
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Taxable Value)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	City of Portage						Total City of Portage Tax Rate
	General Fund	Library	Capital Improvements	Debt Service	Curbside Recycling	Fall Leaf/ Spring Clean ⁽¹⁾	
2004	7.3592	-	2.0000	-	0.3850	0.4000	10.1442
2003	7.4672	-	2.0000	0.1575	0.2900	0.3870	10.3017
2002	7.1480	-	2.0000	0.1920	0.3730	0.2870	10.0000
2001	7.0849	-	2.0000	0.1931	0.4350	0.2870	10.0000
2000	7.1469	-	2.0000	0.1931	0.3600	0.4000	10.1000
1999	7.1559	-	2.0000	0.2011	0.4200	0.4000	10.1770
1998	7.2100	1.1570	2.0000	0.2130	0.4200	0.3340	11.3340
1997	7.0000	1.3800	2.0000	0.2290	0.3910	-	11.0000
1996	7.0000	1.3700	2.0000	0.2410	0.3890	-	11.0000
1995 ⁽²⁾	7.0000	1.5000	2.0000	0.2380	0.4000	-	11.1380

Fiscal Year Ended June 30,	State Education Tax	Portage Public Schools ⁽³⁾	Portage District Library	Kalamazoo County	Kalamazoo Regional Educational Service Agency	Kalamazoo Valley Community College	Total of All Jurisdictions (inc. City of Portage total)
2004	5.0000	3.7000	1.4900	6.1362	3.0416	2.8139	32.3259
2003	6.0000	3.7000	1.4900	6.1362	3.0416	2.8139	33.4834
2002	6.0000	3.7000	1.4900	6.1400	3.0416	2.8151	33.1867
2001	6.0000	3.7000	1.4900	6.1400	3.0416	2.8151	33.1867
2000	6.0000	2.6762	1.3800	6.1400	3.0418	2.8152	32.1532
1999	6.0000	2.6762	1.4200	6.1400	3.0500	2.8231	32.2863
1998	6.0000	2.6762	-	5.8405	3.0500	2.8231	31.7238
1997	6.0000	2.6762	-	6.1405	3.0500	2.8231	31.6898
1996	6.0000	2.6762	-	6.1405	3.0500	2.8231	31.6898
1995 ⁽²⁾	6.0000	2.6762	-	6.1405	3.0500	2.8231	31.8278

Notes:

(1) This millage was passed by voters in July 1997 to provide funding for fall leaf pickup/spring recycling and yard waste cleanup initiatives

(2) Prior to the fiscal year ending June 30, 1995, property taxes were applied to State Equalized Value.

(3) Non homestead properties add 18 mills

SOURCE: Treasury Office

CITY OF PORTAGE, MICHIGAN

(unaudited)

Principal Taxpayers**June 30, 2004**

<u>Name</u>	<u>Type of Business</u>	<u>Total Taxable Valuation</u>	<u>Percent of City Total</u>
Pfizer , Inc.	Pharmaceuticals	\$ 322,874,537	18.50 %
Stryker Corporation	Manufacturing	22,411,209	1.28
Crossroads Mall / Portfolio One, LLC	Retail Sales	19,457,285	1.12
Consumers Power Co.	Utility	16,098,192	0.92
Edward Rose Associates	Apartments	11,644,794	0.67
Mann+Hummel	Manufacturing	11,433,924	0.66
Meijer, Inc.	Retail Sales	8,561,291	0.49
Bowers Manufacturing	Manufacturing	8,133,772	0.47
State Farm Mutual Auto Insurance Co.	Insurance	7,872,149	0.45
Summit Polymers, Inc.	Manufacturing	<u>7,262,371</u>	<u>0.42</u>
Totals		<u><u>\$ 435,749,524</u></u>	<u><u>24.97 %</u></u>

SOURCE: City Assessor's Office

CITY OF PORTAGE, MICHIGAN
(unaudited)
Special Assessment Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Special Assessments Collections	Special Assessments Billed
2004	\$ 832,438	\$ 786,281
2003	722,101	761,715
2002	726,920	799,296
2001	1,201,892	883,117
2000	1,464,577	724,856
1999	1,527,681	801,746
1998	1,646,815	966,614
1997	1,776,905	956,414
1996	1,482,870	803,667
1995	1,540,622	814,249

SOURCE: Treasury Office

CITY OF PORTAGE, MICHIGAN
(unaudited)
Computation of Legal Debt Margin
For Special Assessment Bonds

State Equalized Assessed Value - June 30, 2004	<u>\$ 1,986,426,978</u>
Debt limit - twelve percent of Adjusted State Equalized Assessed Value	238,371,237
Special Assessment Bonds	<u>8,314,000</u>
Legal debt margin	<u>\$ 230,057,237</u>

Computation of Legal Debt Margin
For General Obligation Bonds

State Equalized Assessed Value - June 30, 2004	<u>\$ 1,986,426,978</u>
Debt limit - ten percent of Adjusted State Equalized Assessed Value	198,642,698
Amount of debt applicable to debt limit: General Obligation Debt	<u>37,984,270</u>
Legal debt margin	<u>\$ 160,658,428</u>

SOURCE: Assessor (SEV)
City of Portage 2004-05 Budget (debt balances)

CITY OF PORTAGE, MICHIGAN
(unaudited)
Ratio of Net General Bonded Debt
To Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

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Fiscal Year Ended June 30,	(1) Population	State Equalized Assessed Value (000s)	(2) Gross Bonded Debt	Debt Service Monies Available	Debt Payable from Proprietary Fund Revenue	Net Bonded Debt	Ratio of Net Bonded Debt to State Equalized Assessed Value	Net Bonded Debt Per Capita
2004	46,273	\$ 1,986,427	\$ 85,294,000	\$ 180,498	\$ 24,209,785	\$ 60,903,717	3.07%	\$ 1,316
2003	45,679	1,878,136	73,249,000	161,770	23,075,487	50,011,743	2.66%	1,095
2002	45,840	1,848,472	62,253,000	77,279	19,115,452	43,060,269	2.33%	939
2001	45,257	1,720,202	51,250,000	159,595	16,633,561	34,456,844	2.00%	761
2000	44,897	1,587,294	40,995,999	196,794	14,084,040	26,715,165	1.68%	595
1999	44,360	1,551,853	35,349,000	172,237	15,127,088	20,049,675	1.29%	452
1998	44,100	1,366,526	36,127,000	28,890	15,927,560	20,170,550	1.48%	457
1997	43,700	1,253,680	31,604,000	436,403	15,541,258	15,626,339	1.25%	358
1996	43,400	1,174,005	34,097,000	762,596	15,311,024	18,023,380	1.54%	415
1995	43,000	1,092,171	31,537,548	465,088	13,441,436	17,631,024	1.61%	410

(1) 1994 thru 2000 figures based on 1990 census.

(2) Includes all long-term General Obligation bonded debt, Revenue bonds, Building Authority bonds, Downtown Development Authority bonds, Motor Vehicle Highway fund bonds, and sewer fund capitalized lease. Special Assessment bonds have been excluded.

CITY OF PORTAGE, MICHIGAN
(unaudited)
Ratio of Annual Debt Service Expenditures for
General Obligation Bonded Debt ⁽¹⁾ to Total General Expenditures
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>(2) Principal</u>	<u>(2) Interest</u>	<u>(2) Total Debt Service</u>	<u>(3) Total General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
2004	\$ 1,987,857	1,849,002	3,836,859	39,189,176	0.098
2003	1,437,044	1,594,806	3,031,850	38,682,578	0.078
2002	1,412,892	1,343,601	2,756,493	40,523,811	0.068
2001	1,426,814	1,337,626	2,764,440	36,747,367	0.075
2000	1,611,398	1,109,021	2,720,419	37,948,483	0.072
1999	1,647,886	1,027,652	2,675,538	29,149,881	0.092
1998	1,632,423	996,439	2,628,862	28,651,129	0.092
1997	1,489,108	1,018,185	2,507,293	29,357,242	0.085
1996	1,712,278	1,023,255	2,735,533	28,722,214	0.095
1995	1,427,321	781,763	2,209,084	32,470,216	0.068

(1) Special assessment debt with government commitment has been excluded.

(2) Prior to the fiscal year ended June 30, 1997, the Tax Increment Finance Authority and the Local Development Authority were classified as Debt Service Funds.

(3) Includes General, Special Revenue, Debt Service, Capital Projects Funds, and Expendable Trust Funds.

CITY OF PORTAGE, MICHIGAN
(unaudited)
Computation of Direct and Overlapping Bonded Debt

June 30, 2004

Name of Governmental Unit	Bonds Outstanding	Balances On Hand	Net Bonds Outstanding	Percent Applicable to City	City's Share of Debt
City of Portage:					
General Obligation Bonds	\$ 7,965,000	\$ 3,968	\$ 7,961,032		
Building Authority Bonds	14,745,000	71,785	14,673,215		
Downtown Development Authority Bonds	5,865,000	80,863	5,784,137		
Local Development Finance Authority Bonds	3,390,000	11,811	3,378,189		
Special Assessment Bonds	8,314,000	3,124,284	5,189,716		
Motor Vehicle Highway Fund Bonds	14,230,000	12,071	14,217,929		
Capital Improvement Bonds	11,260,000	-	11,260,000		
Revenue Bonds	19,525,000	-	19,525,000		
Total	\$ 85,294,000	\$ 3,304,782	\$ 81,989,218	100.00%	\$ 81,989,218
Portage Public Schools ⁽¹⁾			42,053,000	88.31%	37,137,004
Vicksburg Public Schools ⁽¹⁾			22,474,000	6.56%	1,474,294
Comstock Public Schools ⁽¹⁾			11,357,000	2.81%	319,132
Schoolcraft Public Schools ⁽¹⁾			21,279,843	2.30%	489,436
Kalamazoo County ⁽¹⁾			9,500,000	25.68%	2,439,600
Total					\$ 41,859,466
Total of City's share of debt					<u>\$ 121,409,084</u>

Note:

(1) Overlapping jurisdictions outstanding and overlapping debt as of April 30, 2004

SOURCE: Finance Director

CITY OF PORTAGE, MICHIGAN

(unaudited)

Revenue Bond Coverage Last Ten Fiscal Years

Fiscal Year Ended June 30,	Gross Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2004	\$ 7,449,935	\$ 7,636,768	\$ (186,833)	\$ 705,000	\$ 803,282	\$ 1,508,282	(0.12)
2003	7,497,504	5,295,319	2,202,185	555,000	701,049	1,256,049	1.75
2002	7,692,879	4,389,165	3,303,714	560,000	704,730	1,264,730	2.61
2001	7,005,338	5,032,540	1,972,798	410,000	622,729	1,032,729	1.91
2000	6,516,464	4,857,139	1,659,325	380,000	482,969	862,969	1.92
1999	6,805,796	4,276,837	2,528,959	380,000	501,213	881,213	2.87
1998	6,189,090	4,244,891	1,944,199	330,000	491,150	821,150	2.37
1997	6,043,801	4,659,834	1,383,967	330,000	462,174	792,174	1.76
1996	5,920,977	4,528,235	1,392,742	250,000	294,886	544,886	2.56
1995	5,419,274	4,337,991	1,081,283	200,000	316,090	516,090	2.10

Notes:

(1) Beginning in 1993-94 gross revenue includes tap fees and hookup fees.

(2) Exclusive of depreciation, interest and fiscal charges (1993-1994).

CITY OF PORTAGE, MICHIGAN

(unaudited)

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population*	(1) Median Household Income*	Median Age*	Education Level in Years of Formal Schooling*	(2) School Enrollment	(3) Unemployment Rate
2004	46,273	\$57,558	35.8	14.0	8,838	3.7%
2003	45,679	55,828	35.8	14.0	8,900	3.9%
2002	45,840	54,149	35.8	14.0	8,600	2.9%
2001	45,257	52,521	35.8	14.0	8,600	3.9%
2000	44,897	50,942	35.8	14.0	8,650	1.8%
1999	44,360	49,410	35.7	14.0	8,900	2.3%
1998	44,100	47,925	35.4	14.0	8,800	2.0%
1997	43,700	46,484	35.1	14.0	8,904	2.9%
1996	43,400	45,086	34.8	14.0	8,600	2.5%
1995	43,000	43,730	35.0	14.0	8,300	2.5%

Notes:

(1) Increases estimated at 3.1% annually

(2) Portage Public Schools

(3) Michigan Employment Security Commission

* 1995 thru 1999 figures based on 1990 census, increases estimated.

2001 thru 2004 figures based on 2000 census, increases estimated.

Source: Finance Director

CITY OF PORTAGE, MICHIGAN
(unaudited)
Construction, Property Value, and Bank Deposits
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Construction					Property Value ⁽¹⁾				Bank Deposits (000)
	Number of Permits	Industrial & Commercial (000)	Residential (000)	Nontaxable (000)	Total (000)	Industrial & Commercial (000)	Residential (000)	Nontaxable ⁽²⁾ (000)	Total (000)	
2004	718	\$ 39,083	\$ 46,376	\$ 1,454	\$ 86,913	\$1,131,559	\$2,166,393	\$144,094	\$3,442,046	\$711,137
2003	778	33,415	52,195	3,442	89,051	1,081,679	2,020,401	133,812	3,235,893	627,594
2002	769	29,595	44,956	237	74,788	1,090,614	1,893,126	128,444	3,112,184	603,077
2001	678	39,405	37,353	785	77,542	936,733	1,759,414	124,461	2,820,607	511,207
2000	773	18,004	38,004	837	56,844	825,937	1,488,356	122,602	2,436,896	476,937
1999	766	15,759	36,132	2,155	54,045	830,781	1,424,557	121,765	2,377,103	440,543
1998	730	26,115	41,255	5,570	72,939	796,343	1,360,527	119,611	2,276,481	404,928
1997	682	21,957	41,377	138	63,472	761,227	1,283,510	114,041	2,158,779	384,991
1996	617	15,384	36,255	1,335	52,974	733,611	1,205,117	113,904	2,052,632	343,256
1995	612	18,206	47,023	3,058	68,288	696,009	1,136,724	112,568	1,945,302	298,734

(1) Property Value is estimated by the Assessing Department; the data does not include personal property or IFT.

Source: L-4022 (SEV totals, Commercial & Industrial)

(2) Non-taxable values are estimated as follows: Prior year's value x CPI + Current Year Building Permit Value, rounded.

SOURCES: Construction - Community Development
Property values - City Assessor's Office
Bank deposits - Michigan Department of Treasury

CITY OF PORTAGE, MICHIGAN

(unaudited)

Miscellaneous Statistics

June 30, 2004

Date of incorporation - December 31, 1963

Form of government - Council/Manager

Area - 35.2125 square miles

Miles of streets 210.84

Employees (including police and fire):

Full-time 213

Part-time 25

Seasonal & other 177

Fire protection:

Number of fire stations 3

Number of employees:

Full-time 35

Part-time 1

On-Call 24

Vehicles 17

Police protection:

Number of employees

Full-time 74

Part-time 8

Seasonal 12

Vehicular units 30

Recreation:

Acres of parks 724

Number of parks 14

Education:

Number of public schools:

High schools 2

Middle schools 3

Elementary schools 8

Community Education Center 1

Public school enrollment (approximate) 8838

SOURCES:

Transportation and Utilities, Parks and Recreation, Police, Fire, Community Development and Benefit Services Departments, and Portage Public Schools.